

### **Business Summary** Soviet Union reports 1,000 dead in new earthquake Garcia warns

USSR

### By Quentin Peel in Moscow

over a wide area. The latest earthquake struck

at dawn in the mountainons Gissar district about 30 miles

south west of Dushanhe, the

republic's capital. It measured six on the Rich-

THE SOVIET UNION, still ter scale and set off a landslide which buried villages up to 45 feet beneath sand and mud. reeling from the effects of December's disaster in Armenia, was yesterday hit by an earthquake in the central Asian republic of Tajikistan, Slightly smaller tremors scale were reported from Dushanbe itself, although no

where at least two villages near the Afghan border were reported to have been buried by a wall of mnd. casualties were reported. News of the latest earth-quake came as Soviet scientists warned of a possible new First estimates put the death tremor in Armenia, where the confirmed death toll from last month's disaster is almost toll at more than 1,000, with other mountain villages in the region still uncontacted, as electricity pylons and road bridges were brought down 25,000, with 500,000 made home-

N Sea rig emergency

high on agenda for

The Soviet news agency Tass reported that the village of Sharora in Tajikistan, with 150 homes, was buried by the wall of mud, with a death toll running into hundreds. "Cries and wails can be

heard everywhere," the agency

Black

See

teams of doctors and eonipment to the earthquake zone. Heavy excavators, buildozers and cranes had been sent from Dushanbe.

by damaged roads, with bridges collapsed and telephone and power lines brought down by the tremor.

been battered by disasters. The cost of rebuilding Armenia is put at Rs8bn, the same cost as the Chernobyl nuclear power station accident in 1986.

There was no information last night on whether the lat-est quake had damaged road links with Afghanistan, where the remaining 50,000 Soviet troops are due to be withdrawn by February 15.

No damage was reported in Kabul, the Afganistan capital. Western diplomats in Islama

bad said the earthquake was felt in northern Afghanistan but it was not clear whether there had been any damage. • British rescue teams were

on standby last night, interna-tional Rescue, which sent two teams of 14 and 15 to help dur-ing the Armenia disaster, said it was asking whether the organisatioo could help again. It was contacting the Soviet

TURKEY Sharor AFGHANISTAN ~ IRAQ IRAN olo "is now a heap of rubhle, with 70 homes completely reported. "Some are bemoan-ing and burying their relatives and near ones, while others are trying to find the few survivors beneath the thick layer of sand demolished and buried by the landslide." Tass reported. Radio Moscow said the Min-istry of Health had immedi-ately despatched 35 emergency

and clay." The nearby village of Okuli-

### 900 km Several villages were cut off Tadzhikistan Dushanbe 52

500 mêns

Aral Sas

<u>~</u> Tass said thousands of cattle had perished, and thousands of acres of farmland had been

submerged by the landslide. More than 100 people were taken to hospital in the Tajik capital. The Soviet economy has

**OECD's chief** economist hits out at EC policy

### By Peter Montagnon, World Trade Edilor, in London

European Community trade policy is launched today by Mr David Henderson, chief economist at the Organisation for Economic Co-operation and

Development. The policy has involved widespread recourse to protec-tionism over the past two

decades, he says. This has helped weaken not only the General Agreement on Tariffs and Trade (Gatt) but also the fundamental idea that international trade policiles should be governed by a frame-work of accepted rules, he says in an essay published by the Group of 30, a leading indepen-dent economic think-tank. "It is not the spectre of For-

tress Europe (emerging after 1992) that gives cause for con-cern but the reality of some long-established characteristic features of the Community's

Mr Henderson, who wrote the study in a personal capacity, says EC trade policy has adopted discrimination as a norm, a guiding principle. One of the main constituent elements of a liberal trading sys-

# Embassy in London.

'Arms man' shot A black South African man was shot dead by police when he grabbed a grenade from an . arms cache near Cape Town to which he had led police. Iraq releases POWs

World News

Argentine

barracks

from rebels

Argentine troops regained control of an army barracks

near Buenos Aires after four

hear buenos Aires atter iour hours of fighting against an estimated 50 civilian insur-gents who had stormed the base. A local news agency said 20-30 people died. Page 16

**Prosecutor killed** 

Gunmen shot dead a Greek

public prosecutor in Athens. A left-wing urban guerrilla group claimed responsibility for seriously wounding two public prosecutors earlier this

month, saying the judiclary was partly to blame for finan-cial scandals rocking Greece.

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troops regain

### Iraq repatriated 131 disabled Iranian prisoners of war in a "humanitarian gesture." There was no sign that Tehran would resume prisoner exchanges, halted in November amid deadlocked peace talks.

### ETA ceasefire

ETA, the Basque separatist organisation, said it would extend for two more months a ceasefire in attacks on government targets in return for

### Militia talks begin

Iran and Syria began talks to end heavy fighting between the rival Shia Moslem militias they support in Lebanon. The fighting has killed 142 people since January 1. Page 4

## **Salvador Dali dies**

Surrealist painter Salvador complicated by pneumonia. Dali, 84, was known for his

### when buyers turned away from the market following the recent rise in prices. Traders described the fall in part as Oil price Brent Blend Crude (\$ per barrel) 19 18 17 27.095 N 243

of austerity

PRESIDENT Alan Garcia of Peru has warned of drastic

ansterity measures if the coun-

try wants to restore relations with the International Mone-

**OIL PRICES** slumped heavily

tary Fund and World Bank for new loans. Page 16

measures

for Peru

16 15 14 13 12 11 Jut 1988 Jan'89 Source : Petroleum Argue

## a technical correction to recent

negotiations on the future of . Spain's Basque region.

market strength. North Sea Brent crude for February deliv-ery closed off \$1.05 at \$16.75 a barrel in European trading. Commodities, Page 28 SUMITOMO BANK, Japan's largest in terms of profits, obtains a listing on the London Stock Exchange today. Japan'a five largest banks are now quoted in London. Page 17 MERRILL LYNCH, holding company for one of Wall Street's largest firms, suffered

a 33 per cent drop in commission revenue last year, reflecting lower business from retail clients, Page 17

TEXAS EASTERN, Houstonbased pipeline operator, contin-ued to see its shares climb amid speculation that a \$2.5hn takeover bid from Coastal has set the stage for an industry-

### wide auction. Page 18 RUSTENBURG Platimum, South Africa's largest platinum producer, saw its revenue lifted by higher platinum and nickel prices to RLAIbn (\$590.7m) from R1.13bn. Pre-tax

By Karen Fossili in Oslo and Steven Butler in London THE DANGERS posed by deep, high pressure all exploration in the North Sea are to feature prominently in consultations between Britain and Norway

early next month. The agenda has been set in the light of the emergency in the southern part of the Nor-wegian North Sea, where a high pressure exploration of well near the Ekofisk field is threatening to explode.

According to oil industry experts, an explosion could come at any time, posing a threat to men trying to contain the emergency and causing a severe pollution hazard.

The well, operated by Saga Petroleum, is in an area about nine miles from the Albuskjell. oil platform, one of seven fields in the Kkofisk oil and gas pro-duction area, which accounts for 20 per cent of Norway's total oil production. It was being drilled from a semi-submersible mobile drill-ing unit in the southern wart

ling unit in the southern part of the Norwegian North Sea when problems were encountered from a high-pressure geo-

ble for drilling at the Norwegian Petroleum Directorate, Norway's watchdog over oil activities, said Norway had encountered problems at four or five high pressure wells in

or nve mgn pressure wells in the last year. In the UK sector of the North Sea, the Ocean Odyssey, oper-ated by Atlantic Richfield, was destroyed, and one man killed, in September following a blow-out at a high pressure well. In November the British Depart-ment of Energy imposed a hlanket ban on high pressure duling according neight fight drilling operations using flexi-ble hoses, resulting in the sus-pension of three wells.

Bisewhere in the Norwegian North Sea, Elf Aquitaine Norge, part of the French oli group, is struggling to control a high-pressure well which it began drilling in July. Elf encountered problems at the beginning of November and recently gas began leaking from its prospect.

from its prospect. Although high pressure pockets have always been a problem in oil drilling, the dangers have increased as explor-

wells would now be high on the agenda. They would be comparing experience so that "corrective measures" could be

were likely to focus on improv-ing drilling programmes for deep wells, identifying ways of obtaining better information about geological formations, and improving equipment. Meanwhile Saga Petroleum has called in Mr Boots Hansen, a well-kill ernert, to act as

a well kill expert, to act as technical adviser to help estab-

determine whether movement

well could still be increasing to dangerous levels. Saga plans to install an addi-

tional blow-out preventer as a second defence barrier. Two



Dollar

1.86

1.84

against the D-Mark (DM per \$)

THE LEADING central banks of Europe and North America yesterday again succeeded in forcing the dollar lower after their fourth foray into the

their fourth foray into the open currency markets in as many trading days. Their concerted interven-tion, led by the Federal Reserve and soon followed by the West German Bundesbank and six others, left the dollar weaker against the D-Mark and the yen at the close of trading both in London and New York.

A FIERCE indictment of countries which benefit under the Lome Convection. This has led to a preoccupa-tion with bilateral arrange-

ments which has been exacer-bated by the EC's "strong and continuing concern" with sec-toral and bilateral balances. In spite of the lip-service paid by the EC to the concept of the multilateral trading system "it would be unwise to count on a major change,"

major change," Mr Henderson warns that US trade policy has evolved in a similar way even though US officials have criticised Euro-pean attitudes.

"It is not enough to preach sermons to Brussels while at the same time engaging systematically in forms of interventionism that scarcely differ from those to which the scr-

rom those to which the ser-mons are directed. "Neither the US nor the Community is likely to change direction unless it sees clear signs that the other will do so; and as I read the evidence - the more so after the Montreal mid-term review - the Uruguay Round negotia-tions alone are unlikely to create the conditions in which



technical adviser to help estab-lish control over the well which still threatens to blow. Yesterday Saga used an underwater vehicle to monitor leaks from the blow-out pre-venter, a safety device used to close the well. Saga also mea-sured sound in the well to determine whether to workness

was taking place. Mr Mathlesen said, however, that although no sound was recorded, pressure inside the

eccentric behaviour. Page 16; Obituary, Page 18

### **Proposal on Korea**

South Korea agreed to a North Korean proposal for prelimi-nary political talks next month and said the two nations were within sight of ending their 40-year confrontation.

### **Election bodyguards**

Six armed bodyguards will be assigned to protect each of the 1,400 candidates in Sri Lanka's parliamentary election. Seven candidates bave been murdered this month.

### Intifada escalation

Underground Palestinian leaders said in a leaflet that they would escalate their intifada (rebellion) despite the Israeli army's tough measures to quell the 13-month revolt.

### Far right spilt

Members of South Africa's white supremacist group, the Afrikaner Resistance Movement, threatened to form a \_ breakaway movement after a move to question their leader over ties with an ex-model.

### Unity discussions

Unity talks between the lead-ers of the divided island of Cyprus resumed with both sides eager to shrug of mutual accusations of bad faith that marred earlier rounds.

### Monte Carlo crash

A spectator was killed and four people injured in a crash dur-ing the Monte Carlo rally.

(876) 3-mth Treasury Bille: DM1.8380 (1.8435) yield: 8.545% (8.52) Long Bond: 10132 Y127.80 (128.25) (1014) yield: 8.851% (8.88) New York Lat

January 1989

DITEREST RATES

3-month Interbank:

close 132% (same)

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New York close \$1.7760 (1.7775)

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DM3.26 (same) FFr11.0975 (11.1050)

SF:2.7625 (2.7725) Y226.75 (same)

New York close DM1.8310 (1.8375)

SEr1.5490 (1.56)

Y127.45 (127.75)

\$409.0 (409.3)

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FFr6.2315 (6.25975)

MARKETS

Nikkel average '000

Japan.

London

profits increased to R633m from R495m, Page 20

MINNESOTA MINING and Manufacturing, US materials and industrial group, reported a 26 per cent increase in earnings to \$272m. Page 18

UNION CARBIDE and MON-SANTO, two of the largest US chemical companies, reported that 1968 was their best year due to demand for basic chemi-

cals and plastics. Page 18 BNA, Italy's largest privately owned bank, is to raise L400bn (\$296m) by a two-tranche rights issue. Page 20

UK LIFE assurance companies have responded more strongly to threats posed by AIDS (Acquired Immune Deficiency Syndrome) than those in most other countries. Page 8

JARDINE Strategic Holdings of Hong Kong is undaunted by a challenge to a US\$6.4m partial settlement reached in lawsuits relating to its aborted purchase of a stake in Bear Stearns, the Wall Street bro-

kerage. Page 21 WELSH Development Agency is to set up a match-making

service to link companies with those in Europe to make busies more aware of the 1992 single market. Page 8 HYUNDAI Merchant Marine,

### South Korean shipping line, is to appeal to the European Court against the imposition of a 26 per cent levy on con-tainer traffic between the BC and Australia. Page 5 CHINA signed a \$30m contract

to launch an American-built satellite and officials said few obstacles remained in the way of Peking entering the lucra-tive commercial space market.

New York Latest West Tex Crude Comex Feb \$17.855 (\$

logical formation ers extend the search for oil deeper in the ground, where A surge of pressure was encountered late on Friday pressure becomes progres-

after several weeks in which the operators had experienced sively higher. Improvements in technology and the search for oil in fron-tier areas have both pointed oil severe difficulty controlling it. More than half the crew aboard the Treasure Saga drilexploration toward deeper

ling rig was evacuated to the Ekofisk platform. This latest incident follows a The Anglo-Norwegian talks were arranged before the curspate of recent troubles with deep drilling. rent emergency, but UK and Norwegian energy officials said the problems of high pressure Mr Rolf Mathiesen, responsi-

additional drilling units will then be moved on location to undertake parallel work, one to establish contact with the existing well while the second unit drills a relief well. The operation could take weeks or months, with the well remain

ing in a dangerous state. A worst-case scenario could force production from part of Ekofisk to be shut down dur-ing oil spill cleansing.

## East Germany pledges cuts in forces and defence spending

### By Leslie Collitt in East Berlin

EAST GERMANY'S hard-line ence in Eastern Europe. The spokesman said several Soviet regiments and "autono-mous units" such as battalions leadership yesterday pledged to cut defence spending and reduce its military strength, while Poland was added to the would leave this year, and a brigade would go in 1990. According to the text of a the list of East European countries where some Soviet troops

speech due to be delivered last night at a dimer in bonour of Mr Ingvar Carlsson, the Swed-ish Prime Minster, Mr Honecker promised that "a are to be withdrawn. Mr Erich Honecker, the East German leader, said his country's armed forces - estimated by Western analysts to number reduction in expenditure on national defence of 10 per cent will be carried out" and added that the measures were to be between 175,000 and 190,000 - would be reduced by 10,000. He also promised to scrap or convert to civilian use some completed by the end of next 600 tanks, disband six tank regents and withdraw 50 comhat aircraft from service.

year. Giving details of the Soviet troop withdrawals from East-ern Europe, outlined by Mr Mikhail Gorbachev, the Soviet leader, at the UN last month, Mr Honecker said Moscow would pull two tank divisions out of East Germany this year and another two in 1990. In Warsaw, the government spokesman said an unspecified number of Soviet troops would be withdrawn from Poland. Western analysts say the Kremlin keeps about 45,000 troops on Polish soil and, until yesterday, Moscow had given no indication that Poland would be affected by its plans to scale down its military presand another two in 1990. Mr Gorbachev told the UN that a total of six tank divi-sions would be withdrawn

from Eastern Europe - so Mr Honecker's comments implied Honecker's comments implied that only one division each would be taken out of Czecho-slovakia and Hungary. Mr Honecker said the sim of

the reductions was to give the armed forces an even greater "defensive character." He called on other Emopean countries to take similar steps. Mr Carlsson in a speech earlier yesterday in East Berlin called for freedom of expression and greater contacts between citi-zens in East and West. He said the atmosphere in his talks with Mr Honecker was so good that be expected further humanitarian steps by East

Germany. Mr Honecker was criticised last week by West Germany for defending the Berlin Wall after he said the wall would remain for "50 or 100 years" if the conditions which led to its building were not eliminated.

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Karpov edges towards Nato over arms cuts, Page 2

	CONTENTS				
STOCK EXDICES New York close Dow Jones Ind. Av. 2,218.39 (-16.97) S&P Comp 285.53 (-1.10) London: FT-SE 100	Japanese giant aspirations	With universal Mr Sotoo Tatsumi, president of Sumitomo Bank, predicts that Japan's financial industry will give way in the next two years	Indonesia: Creeping slowly out of its decade long crisis South east Asia: Hanoi and Peking pull back from conflict Electronics: US switches on TV of the future .5 Management: Personnel issues - A nightmare which must be confronted		
1,924.7 (+7.2) World: 141.86 (Fri) Tokyo Nikkel Ave 31,332.88 (+162.50) Frankturt Commerzbank		to universal banking similar to that in West- ern Europe Page 17	Editorial comment: The future of Hong Kong; The Fraser appeal14 Berlin: Bringing down the Wall15 Les: Daimler; Unigate; Bank loyalty; Markets; Discount houses16		
Ott         Stent 15-day (Argus)           \$16.75 (-1.05) (Feb)         West Tex Crude           \$17.855 (same)         (March)	Earope 2 Companies 3 Companies 3 Companies 4 Companies 2t World Trade 5 Bitlain 5,6 Companies 24-27	Agriculture 28 Arts-Reviews 13 World Guide 13 Commercial Law 11 Commodities 28 Crossword 38 Currancies 36 Editorial Comment 14 Euro-options 36	Financial Futures         38         Raw Materials         28           Gold         28         Stock Markets         37,40           International bonds         22,23         -Wall Street         37,40           International bonds         22,23         -Wall Street         37,40           International bonds         22,23         -London         28           Letters         16         Technology         12           Letx         19         Unit Trusts         30.33           Money Markets         36         Westher         16           Observer         14         World Index         46		

New York.

The central bank dollar sales, which currency market set aside." tionism is a long term trend accompanied by increasing analysts estimated to have been in the region of \$400m, took the dollar from about recourse to non-tariff barriers DM1.8485, at its highs of the day, to a low in Europe of such as voluntary export restraint agreements and a DM1.8340. veb of preferential trading In London, the US currency closed slightly firmer at arrangements with groups of countries ranging from the

**Continued on Page 16** Markets, Section II

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tem has, thus been explicitly such a simultaneous move would occur." Europe's drift into protec-

The only grounds for hope lie in the possibility that governments themselves may recognise the dangers of the world slipping into a system of polarised trading blocs and that the EC may realise that the advantages it hopes to reap from its internal liberalisation European Free Trade Associa-tion (Efta) to the 66 developing can be compounded by exten-**Continued on Page 16** 

CODAY SEES THE COMPLETION A of the only major new office building of its size available for occupation this year in the entire prime mid-town area of London.

STRAND BRIDGE HOUSE stands to the south of Aldwych, two minutes from the Royal Courts of Justice and adjacent to Somerset House.

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### **EUROPEAN NEWS**

## Karpov edges towards Nato over arms cuts

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By William Duilforce in Geneva

MR VIKTOR KARPOV, Soviet Institute for Disarmament Deputy Foreign Minister, yes-terday outlined in informal discussion a programme for cuts in conventional arms in Europe that appeared to go some way to meet Nato demands.

He also emphasised the Soviet Union's desire for quick results from the Conventional Stability Talks (CST) between the 23 Nato and Warsaw Pact countries due to the the the countries, due to start in Vienna in March.

The talks should elaborate a "first set of agreements right away...without wasting time on general discussion which, as experience shows, may only fossilise our positions," he said.

Speaking at a seminar in Geneva, organised by the UN

Research, the minister put for-ward as "possible principles" for reductions in conventional arms The elimination of current imbalances between Nato and Warsaw Pact forces, with cuts being made first in the most destabilising weapons.
 A withdrawal of forces from the March and Alignment and the second sec

the line of direct contact between the two alliances and the disbanding of the forma-

tions withdrawn. • Changing the structure of the army divisions remaining in the central European zone to give them "clearly defensive Mr Karpov's suggestions did not match the call for a 50 per

craft was in line with the War-saw Pact's contention that Nato's superiority in this field cent reduction in Nato and Warsaw Pact offensive forces

in Europe, made by Nato for-eign ministers last month, but he implicitly accepted the West's argument that the major threat to stability in Europe comes from weapons capable of mounting large-scale of mounting largeshould be set against any eastshould be set against any east-ern bloc preponderance in tanks and artillery. The Nato countries have argued so far that aircraft should not be cov-ered by the negotiations, although the CST mandate adopted last week in Vienna does not specifically exclude them

capable of mounting large-scale offensive operations. Agreement could be reached promptly, Mr Karpov said, by setting cellings on the most dangerous types of offensive weapons. These should be lower than the existing lowest levels in the two alliances. As examples he listed attack aircraft, combat helicopters, tanks, artillery, armoured per-sonnel carriers and "landing-crossing means." then them. Mr Karpov suggested that the space between the Atlantic and the Urals be divided geo-graphically into several concentric zones, with different levels of arms reduction. Moscow was ready to give priority to the reduction of tac-

tical nuclear weapons - an issue which divides the Nato countries - the moment the crossing means." The inclusion of strike aircuts in conventional forces got under way, Mr Karpov said. He confirmed Western esti-

mates that only a "couple of dozen" abort-range nuclear weapons would be removed in the unilateral reduction of Soviet forces in central and eastern Europe announced by President Mikhail Gorbachev last month. Of the 10,000 tanks slated for

reduction in Europe, Mr Kar-pov said, 5,000 would be "physically eliminated" and the rest converted into civilian towing vehicles or into simulators.

The Soviet Union would shortly pull out of eastern Europe several formations that lent an offensive posture to its deployments. A second reduction of troops stationed in Mongolia was

planned. This would amount to 75 per cent of their present

David Goodhart decodes the arguments about modernising short-range nuclear arms

## Missiles represent wider debate on German interests

functions."

F ORGET about the US-German row over Libya: that was a mere tiff compared with the approach-ing conflict over modernising short-range nuclear missiles. Such is the opinion of a growing number of defence analysts in Bonn who see the modernisatiou debate - both in West Germany and in Nato as a proxy for the much bigger argument over attitudes to Mr Gorbachev, the role of nuclear weapons in Nato strat-

### **Recent events have** swung the argument in favour of the **Foreign Minister**

egy and the special interests of West Germany. Decoding the deliberately

But it now seems that last year's hints that Chancellor

Helmut Kohl would, after a bit of squirming, accept an agree-ment on modernisation early this year were wide of the mark.

Recent events - Soviet arms initiatives and the emotional argument over low flying in Germany - have now swung the argument in favour of Mr Hans-Dietrich Genscher, the

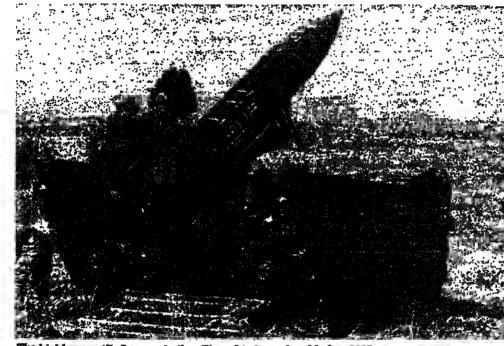
### on modernisation, as evidence of retreat.

Why is modernisation required at all? Nato military strategists argue, with the sup-port of the US and UK governments, that notwithstanding the promising signals from Moscow the alliance must maintain a nuclear capability in Europe consistent with the strategy of "flexible response". That means Nato must back up its far smaller conventional force with the firepower to make a Soviet attack unthink-

Now that intermediate range nuclear missiles have been withdrawn, following the 1987 INF treaty, the three categories of short-range nuclear missiles provide that potential fire-power: the Lance missile, nuclear artillery and sir-toover the next few years, atten-tion has focused on the Lance, which will need to be replaced

before 1995. Supporters of modernisation argue that, aithough techni-cally the work need not begin before 1992, it may by then be politically impossible. A delayed decision thus becomes, by default, a unilat-

eral phasing out. Some people in Washington also see au early decision as an important test of Germany's reliability as Dariner. Congress wants to grant the \$50m required for prototype development this year but in return is demanding a commitment (not necessarily irrevoca-ble) to deployment. Underlying anch an approach — shared by the Defence Ministry in Born — is the belief that even with conventional parity Nato must retain a range of nuclear options in Europe, albeit scaled down in negotiation with



The highly versatile Lance missile will need to be replaced before 1995

Nato.

Against that view stands German public opinion and the Genscher camp. Polls show the Genscher camp. Polis show the German public firmly commit-ted to Nato and the US link, but there are also big majori-ties in favour of not moderni-sing short-range missiles and, indeed, getting rid of all pucker weapons.

Most observers believe a Most observers believe a compromise is still possible, although the two committees — one Nato, one German — working on proposals for a Nato "comprehensive concept", to be unveiled this spring, will have to be even more adept than usual at smudging mean-

None the less, arriving at such a compromise will take its toll. The issue of to sneak out of our responsibilities for defence but we need to explain to people what is required for the draft or for low flying and then ask for no more than is necessary," he short-range missiles, which can only land on German soil, touches German nerves. At the same time, the apparently dis-

says. From a different perspective, appearing military threat from the Rast makes the German supporters of modernisation in public far less ready to accept the inconveniences of playing host to the highest concentra-Germany or abroad also stress that lack of political leadership on security matters is allowing tion of troops and hardware in a dangerous drift. "When Mr Kohl is more concerned with Mr Werner Hoyer, a young tactical advantage in the 1990 election than with the future of Liberal member of the Bundes-tag, believes that by over-dra-matising the lasue of Lance, the alliance we are in for a bumpy time," one conservative

finan

by all ministers and partic-mentarians. It stresses that the "deter-mined and effective implemen-tation" of the budgetary reform plan prepared by Mr Giuliano Amato, the Treasury Minister, "is a necessary con-dition for the success of Italy in the single European mar-ket." tet."

in the single suropean mar-ket." However, the report affirms that the Government has made no real progress in achieving the plan's step-by-step objec-tive of stabilizing total govern-ment debt as a percentage of gross domestic product by 1992. Nor, on present trends, does the IMF see much improvement this year. Rather, it forecasts that the 1980 public borrowing require-ment could be the same as last year's L124,000bn (252Dn), sig-nificantly above the budget target of L117,300bn. The Amato plan adopted last autumn assumed a deficit last year of L114,450bn and this year of L116,000bn.

year of Lills, south and tails year of Lills, south and the still further slippages are likely because the base from which adjustments have to be made is higher, revenue collections appear "uncertain" and the rise of international interest rates means that targeted savings on interest payments are less probable. Apart from interest pay-ments, the IMF calculates that

overruns will also be suffered in wage settlements, health spending, social security transfers and transfers to the ailways.

The inspectors stress that fiscal policy has to be the con-tral instrument for short-term demand management and medium term adjustment. Monetary tightening could be adding to

IMF rebukes | Sweden returns to national pay talks after six years

By Robert Taylor in Stockholm

gathered pace in Sweden dur-ing the 1980s. However, hete the LO and SAF accept fani-employers and workers in engl-neering (including the motor industry) will want to reach their own agreement outside the framework of any national deal, though it is bound to be influenced by the outcome of the central negotiationa. Both sides of industry appear anxious to reinfromces NEGOTIATIONS WILL open soon on a national wage agree-ment to cover most of Swe-

ment to cover most of Swe-den's 1.3m hlue-collar workers in the private sector employed outside the engineering indus-iry. The aim is to reach a deal within the next three weeks. This follows yesterday's deci-sion by the executive commit-tee of the LO blue-collar union organisation to give the go-ahead to Mr Stig Maim, their president, to hold talks with the country's main employers body, SAF, on a cen-tral pay agreement.

Both sides of industry appear anxious to reintroduce a strong measure of atability into the wages system. At the end of last year Mr Maim expressed entiusiasm for lon-ger-term pay agreements to remove the present uncertain-ties and help dampen wage inflationary expectations. The level of carnings in Swe-den is now climbing at an annual average rate of more than 7 per cent, eroding the country's competitiveness in international markets. In the private sector, pay went up by between 9 and 14 per cent last year with large increases in employers body, SAF, on a cen-tral pay agreement. There has not been such a comprehensive collective bar-gain at the national level in Sweden since 1983; but over the pest three months secret talks have been going on between the LO and SAF to examine the prospects for a return to such negotiations, which were a key feature of the Swedish bargaining system between 1956 and 1982. If the forthcoming talks suc-ceed a national pay agreement.

year with large increases in particular for workers in the profitable forestry and conceed a national pay agreement could be expected for the bluecollar workers by the end of February. The white-collar unions are

struction industries. However, national wage bar-gainers will find it very difficult to establish an overall pay rise figure that reflects the ecoalso likely to join in the negoti-ations with the expectation of a central agreement by early nomic realities of the shopfloor where labour shortages and high company profitability spring. This unexpected move is a

make the pressure for substan-tial wage deals almost irresistclear break with the trend towards greater decentralisa-tion in pay bargaining that has

tion rates.

### French commercial banks raise base rates to 9.6% By George Graham in Paris FRENCH commercial banks

yesterday raised their base interest rates by 0.35 per cent to 9.6 per cent, following the increase last week in central bank money market interven-

delayed, however, because of the imminent abolition of the tax on outstanding credits. The abolition of this 0.10 per cent tax would normally have been passed on to borrowers on January 1 in the form of a reduction probably of 0.15 of a percentage point in base rates. When the Bank of France last Thursday followed the lead of the West German Bundes-bank and raised its interven-tion range by a further half point to 8.254 per cent, com-mercial banks decided this time to raise their base rates. The rise takes the base rate, which is used as a reference which is used as a reference for an estimated FFr320bn (229bn) of bank loans, back to the level of last July, a level at which it had remained unchanged for two years, despite wide fluctuations in underlying money market time to raise their base rates. Bankers estimate, however, rates. Bankers now expect the base rate to show more sensitivity to market rates, howthat by cancelling out two mar-

ket driven increases and one tax-driven reduction they have lost some 0.10 of a percentage Yesterday's move was led by Credit Countervial de France, the bank privatised in April 1987, followed by the banks in point. Some economists said yester

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## Their report warns that there is virtually no scope "for further delays of corrective policy action in the Italian economy" if the country is to avoid higher inflation, declin-ing competitiveness and a seri-ously deteriorating trade balance. The document is clearly co-

**Italy over** 

reform of

By John Wyles in Rome

THE ITALIAN Government

and Parliament was yesterday reproached by a team of inspectors from the Interna-tional Monetary Fund for wasting another year in the task of reforming public

finances

reasury and is meant to be studied and inwardly digested by all ministers and parlia-

Foreign Minister, who argues that no firm agreement is needed until 1991 or 1992.

That position is likely to be further strengthened by another offer from Mr Gorba-chev, which defence experts expect in the next few months, possibly when he visits Bonn in May.

Analysia are citing Mr Kohl's unusual reprimand for Mr Rupert Scholz, his Defence Minister, who recently argued in public for an early decision

By Leslie Colltt in Berlin

Germany by Mr Mieczyslaw Rakowski, Poland's Prime Min-ister, has broken the stalemate

in relations between the two

countries. The West German President,

Mr Richard von Welzsäcker is expected to visit Poland next

September 1 to mark the 50th

anniversary of Nazi Germany's

The symbolism of the visit will be enhanced by the fact that the President took part in

the invasion as a Wehrmacht officer. Bot first, Chancellor

Helmot Kohl will go to Polan

to pave the way for what West German officials called a "new

chapter" in relations. At talks last weekend

invasion

**Rakowski visit breaks** 

new ground with Bonn

AN UNOFFICIAL visit to West Germany by Mr Mieczyslaw Rakowski, Poland's Prime Min-a portion of a DM1bn (2312m)

loan granted in 1975.

ventures.

between Mr Rakowski and Mr Kohl, Bonn agreed to offer financial and economic help to the Warsaw government's eco-nomic reform programme.

The Government is also pre-

pared to give official guaran-tees for trade credits to Poland, but officials stressed that fresh money would only be given for specific projects.

Mr Rakowski yesterday called on West German indus-

called on west German indus-try to support Poland's eco-nomic and political reforms with increased co-operation, aspecially in establishing joint

West German assurances of economic aid were made in

return for Mr Rakowski's promise that the cultural inter-ests of the small remaining

ings. Satisfying both Congress and Mr Genscher will probably necessitate an "in principle" commitment to modernise but

with no need for a final decision before 1991. Mr Gorbachev would probably not be too unhappy with such a formulation and some observers believe that if he had

allies . really wanted a mutual phas-ing-out of short-range missiles he would have offered it him-

malvst s ciate changing attitudes in Germany, thus making it more

difficult to establish a firm and sensible defence policy. He has been prominent in attacking the recent decision to extend military service from 15 to 18 months - widely seen as a measure to appease Nato

"This may be what our partwill be unpopular with voters and be interpreted, despite the concessions over military serners want to see but it is the wrong signal to our own peo-ple. We have a credibility crisis vice, as bullying behaviour by the US. in defence. We are not trying

disposable incomes and But such is the lack of co-orstrengthening consumption (through higher interest paydination on security matters in the centre-right coalition that ments to private holders of the Government seems to be riding for another unnecessary fall over low flying. Having allowed public opinion to think that a 50 per cent cut was poe-sible it now seems likely that a significant, but smaller, cut

ments to private holders of government debt) while also attracting higher capital inflows and pushing the exchange rate upwards. With the latest cost of living figures showing a 5.8 per cent annual rate of price rises in January, the report points up growing inflationary risks and a threat to Italy's competitive position.

the state-owned CIC group, Banks were on the verge of raising their base rates by as much as 0.3 of a percentage fear of losing ground to their point in December, when the rivals, the base rate had now Bank of France raised its moved back into a closer rela-

day that after a period of intensified competition, when banks had besitated to raise rates for Bank of France raised its moved bata into a cavet reason money market intervention tionship to money market range by half a percentage rates, and was likely to follow point to 7.75.8.5 per cent. They their evolution more closely.

## Sidelined Treasury chief steps down in Turkey

### By Jim Bodgener in Ankara

TURKEY'S Treasury chief. Mr Yavuz Canevi, stepped down yesterday out of growing frus-tration at being excluded from economic policy-making, par-ticularly monetary control. His frustration is reported to

have been most acute over increasing political pressure to step up domestic borrowing to service public expenditure, a prime cause of the budget defi-

The latter rose by 131 per cent in the first nine months of last year to TLL8 trillion (mil-lion million) - about £540m -compared with the same period of 1987.

He was especially disturbed at plans to introduce mediumterm bonds with rates index-linked to the European Cur-rency Unit which he saw as dangerous gambling on a decline in the rate of inflation. Mr Canevi's retirement is the latest in a chain of trans-fers and departures in the Turkish Government and state sector resulting from a strug-gle over economic policy between the so-called adviser

"princes" surrounding Mr Tur-gut Ozal, the Prime Minister, and older bureaucrats.

Mr Canevi's replacement will be announced on February L In the interim, his duties are being assumed by Mr Namik Kemal Kilic, the deputy Treasury under-secretary. Mr Canevi has remained however, as chairman of the board of the fledgling Export-Import Bank of Turkey, which started operations last May.

 Foreign investment into Turkey more than doubled last year to around \$250m, accord-ing to Dr lbrahim Cakir, head ing to Dr Ibrahim Cakir, head of the State Planning Organisa-tion's foreign investment department (FID). He expects this year's figure to total \$400m, he said yesterday. New investment permits issued by the FID in 1988 (as against actual inflowed)

issued by the FID in 1988 (as against actual inflows) increased by 53.7 per cent to a total value of \$334.4mm. Inter-est was highest in manufactur-ing, followed by services, where tourism topped the list, and then agriculture and min-ing.

The pattern of larger invest-ments in industry seems to have been in companies with an established market share but in temporary cashflow dif-ficulties due to high inflation and borrowing costs, and requiring infusions of new technology

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Soviet heavy industry to serve consumers

### By Quentin Peel in Moscow

consumer demand.

EVERY single industry and enterprise in the Soviet heavy industrial sector, including the defence industry, has been told of consumer goods, from televi-sion sets to basic household equipment.

She blamed years of top pri-She hiamed years of top pri-ority for heavy industry in investment plans, and a mas-sive RS70bn in unsatisfied con-sumer demand, based on the to produce some consumer goods, in the country's crash programme to meet an enor-mous backlog of unsatisfied difference between potential spending and the value of goods in circulation.

At the same time, more than \$1hn (2560m) in foreign cur-rency has been set aside for importing machinery and equipment for the consumer goods sector, and another 20bn roubles (£18.3ba) will be spent Mr Nikolai Ryzhkov, Prime

rouncies (£18.500) will be spent on importing finished con-sumer products this year. Those details were spelt out yesterday by Ms Alexandra Biryukova, Deputy Prime Min-ister for light industry, and the most remarkly woman in the most powerful woman in the Soviet hierarchy as a candidate member of the Politburo. Also, she confessed that "the

goods production, or the pro-duction of machinery and machine tools for light indus-"Even now defence industries produce quite a lot of con-sumer goods, including consumer durables such as

Minister, has put the figure at Rs90bn, because of another year in which wages outgrew industrial output to the extent of Re20bn televisions, refrigerators and bicycles," she said. State procurement orders -supposed to be phased out with a reduction in central planning controls - have been reinirod-uced to ensure factories keep producing cheap products for children and old people, she

industrial output to the extent of Re20bn. "We have set an objective of involving every industry and enterprise in the A sector (heavy industry and defence) in the production of consumer goods," Ms Biryukova said. "We have set the objective that, for every rouble of salary they pay, they should produce one rouble of consumer goods." She said that already 300 fac-tories or workshops in heavy added.

Investment on retooling light industry, neglected for years in favour of the heavy sector, would be doubled from 1969-91,

situation in the country's con-sumer market is now tense," She said that already 300 fac-with shortages of a wide range tories or workshops in heavy eign credit negotiated in 1988

- DM3.5bn (£1.07bn) from West German banks, and Ecu industry - including a "signif-icant number" of defence contractors - were being con-680m (£421.6m) from Italy verted to outright consumer were being devoted to the sector.

The net result of all the efforts would be a Rs18bn increase in consumer goods production - now about Rs250bn - this year and a Rs48bn increase in 1990, she said.

Ms Biryukova, appearing at her first international news conference since she joined the conterence since and joined the Politburo last year, defended the failure of the Soviet system to producte more women to top jobs. She is the only woman in the Politisuro, and the only one in the Council of Ministers. She said she had no maid to do her housework - her hus-band did it for her. Her job day, with perhaps only two or three hours of leisure on a Sunday, she added.

### **Greek PM under fire** Soviet steel venture unveiled over Koskotas scandal

### By Aian Friedman in Milan

The most important member

### By Andriana leriodiaconou in Athens

fire for the first time for alleged personal involvement in the scandal featuring former banker and press baron Mr George Koskotas.

Mr Koskotas, who enjoyed close relations with the Socialist Government, was charged with fraud last October. The scandal implicated a number of ministers but until now bad touched Mr Papandreou only by association.

The Prime Minister is being asked to explain a letter alleg-edly addressed to him by Mr 115 Koskotas on October 27 peti-tioning for Mr Papandreou's help to neutralize an inquiry last week.

MR Andreas Papandreou, the Greek Socialist Prime Minister, has found himself under direct was published last Saturday by the Athens daily Elefthero typia

A Government spokesman said that no such letter was ever received by the Prime The venture, to be called Kimet Engineering, is unusual not merely because it brings together eight companies from Minister, but did not expressly deny that Mr Koskotas might five nations, but because it will be paid by its Soviet customers not in cash, but with steel

have written it. Mr Koskotas is currently in jail in the US where he arrived via Brazil after fleeing Greece with his family in early November, pending extradition proceedings.

of the consortium that will own Elmet Engineering is Ansaldo Sistemi industriali, The Greek Government is the factory antomation and derstood to have submitted systems engineering subsidiary of italy's state-owned IRI-Fin-meccanica group. Like all other shareholders systems engineering subsidiary of italy's state-owned IRI-Fin-

products.

A HIGHLY unusual Soviet joint venture designed to help modernise the Soviet Union's except the Soviet Union's Chermet Automatika, Ansaldo said it would have a 4.5 per cent equity stake in Elmet, while the Soviet company would consteel industry and including major Italian companies as well as Swiss, Bulgarian and Finnish concerns was unveiled in Genoa yesterday.

start life this spring with ini-tial capital of L3.5bn (\$2.6m), hopes to achieve annual turntrol 68.5 per cent. Aside from Ansaldo the other Italian companies joining in the venture are Esacontrol,

aside from Chermet, includa Perifernaja Technika, a Bulgar-

a numerical controls manufactorer that is also part of the

ing business. The new venture, which is to

IRI-Finmeccanica group; Ceda, a systems and engineering company that is part of Dan-ieli, the private Italian steel mini-mills concern; and Coe & Clerici, the Genoa-based trad-

in kind rather than in cash, by means of steel products pro-duced by its Soviet clients; the two trading houses - Coe & Clerici and Interbortus, together with Finland's Eke - will then be responsible for marketing these steel products in the West

in the West.

### BT and Racal in talks on car phone consortium By David Goodhart in Bonn

BOTH British Telecom and Racal Telecom have confirmed they are holding talks with West German car mak-ers - Daimler-Benz and BMW

private competitor on the pan-

private competitor on the pan-European digital system. Bidding conditions, laid down by a semi-independent tendering committee, should be released next week and offi-cial tenders will be invited dur-ing the maker with the lignment ing the spring with the licence being granted in the autumn.

Ansaldo said yesterday that the venture would be "paid" for its factory eutomation work in kind rather than in cash, by ing and shipping group. The non-Italian companies,

first year of operating. In particular, Elmet will

design and install hardware and software for the automa-tion of Soviet steel plants.

respectively - about forming separate consortiums to bid for will compete against the West German Bundespost from 1991 As part of the slow liberalis-

over of around L100bn in its

the car phone system which

ation of the West German telecommunications system, the Bundespost must accept one

be interested in bidding bids for a licence are Mannesman the printing company, and Allianz, the insurance group. US groups including Nynex and Bell South are understood to want to join consortiums.

But already details of several potential groups are emerging for the one private system. Each is expected to be led by a German company, but non-Ger-man companies with expertise in mobile telecommunications

are jockeying for minority posi-tions in these groups. Both Daimler-Benz and BMW have been putting considerable resources into car electronics want to be excluded from the car telephone market. Other German companies believed to

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## AMERICAN NEWS



Managua's shoppers face inflation of up to 50,000 per cent

## Nicaragua enters realm of economic experimentation

A RUEFUL joke that has recently found a new lease of life in Nicaragua, is that "the light at the end of the tunnel is coming from the end we came in at."

After nearly 10 years in power, eight years of war, five years of economic sanctions and several natural disasters the Sandinista Government has reached a dead end. It has

has reached a dead end. It has already begun retracing its steps over much of what has been painstakingly pieced together in the name of revolu-tion to salvage what it can. Hyperinflation, a result of defence spending financed by printing money, has crippled Nicaragua's economy. In a dra-matic U-turn one year ago, the Government threw all the text-book remedies at the twin fis-cal and balance of payments cal and balance of payments deficits that were causing the country's economic instability.

Demand was screwed down, government spending slashed, subsidies suspended, exchange rates realigned, price controls lifted and interest rates raised sharply. Government planners then looked on in horror as the inflation rate got worse, the two deficits widened further, and a slump was precipitated which has been unprecedented in Nicaragua's history.

Trying to put an exact figure to Nicaragua's inflation rate, is an exercise in creative economics. A reasonable guess might be in the region of 50,000 per cent for 1988, although the lat-est government figure is 26,000 per cent and has been repeatedly contradicted. Average incomes can buy only 30 per cent of even this basic basket.

Perhaps not surprisingly, the key government officials responsible for the debacle have become notoriously difficult to reach for an official explanation. However, some reasons are immediately appar-ent. The deflationary recipe to quench excessive demand, using the standard IMF-type package, has been carried out without the corresponding major influx of foreign finance associated with such a pack-According to Mr Amaru Bar-ahona, the director of eco-nomic research at Inies, a Jesuit-run social studies centre in Nicaragua: "This economy can-Nucaragua: "Ints economy can-not now get off the ground without a major inflow of for-eign capital resources." He believes that the Government's present course is heading it invaries converties and sublified towards economic and political collapse. Trade union resistance to Trade union resistance to the recessionary measures has been almost non-existent, caus-ing the slump to go much deeper than it might otherwise have done. (The trade union movement in Nicaragua is heavily dominated by the San-

dinists party.) The effect has been to dry up demand far in excess of the need to match supply con-straints created by foreign exchange shortages. Regular action law THE US Supreme Court, in a big defeat for civil rights devaluations have meanwhile devaluations have including fuelled cost inflation due to the high import content of many locally manufactured products. Mr Felix Contracts, a leading member of Nicaragua'a Associ-

ation of Economists, and a Government sympathiser, says: The restriction of demand has gone too far. The measures

Inflation is out of control, production is falling and both Keynesian and monetarist solutions have been tried and failed, reports Tim Coone

might have worked in a country like the US but structural weaknesses in the economy here have prevented the mea-sures from being effective."

Possibly one of the principal factors contributing to the policy failure is the Government's continuing high dependence for revenue on consumer taxes (60 per cent comes from petrol, cigarettes, alcohol and beer and soft drinks).

Government income has slumped with the overall slump in demand. Last year's fiscal deficit was the biggest in Nicaragua's history at 27 per cent of gross national product and 51 per cent of government spending. Further cuts this

# Fiscal drag and flexible freeze behind Bush budget

### Peter Riddell looks at the new Administration's strategy for cutting the deficit without raising taxes

RESIDENT George Bush plans to introduce his revised budget by February 9, when be intends to address a joint session of Congress. But the outlines of the new Admin-istration's strategy are already clear. The approach has been set out by Mr Biohard Derman the dimense of the

Richard Darman, the director of the Richard Darman, the unector of the Office of Manpower and Budget whose nomination was approved yesterday by a Senate committee, and by other senior administration members. In essence, the Bush Administra-tion intends to reduce the federal bud-

ton intensity relying on the benefits of fiscal drag – that is, the tendency for tax revenues to rise faster than inflation in a growing economy – and on holding spending broadly level in real, inflation-adjusted, tarms – the flexible freeze.

This provides what Mr John Sun-umu, the White House Chief of Staff, on Sunday described as the bineprint

**Court** rejects affirmative

for cutting the deficit without raising taxes. The starting point is the Gramm-Rudman target for fiscal 1990, starting on October 1, of a deficit of \$100bn (£57bn). The Reagan Administration esti-

mated that on current trends the defi-cit would be just over \$126hn, while the Congressional Budget Office proj-ected a deficit of \$14hn for fiscal 1990. The difference reflects what many economists and congressional leaders regard as the over-optimistic growth (3 per cent-plus a year) and interest rate projections of the administration. Mr Darman has said he "very strongly" suspects that at this stage the new administration will stick with the Reagan assumptions and not revise them until the normally sched-uled time in June/July.

However, with a candour which the British Treasury might copy, he cast doubt on the value of precise projec-

table for review, Mr Darman told the

committee yesterday. In particular, the proposed real increase in defence spending proposed in the Reagan budget of January 1969 is expected to be cut substantially, while Mr Bush talked in his inaugural address of a reallocation of spending.

bvious priorities are educa-O tion, the homeless and child care, though extra money is likely to be limited, with the self-pro-claimed "education president" leading more by example than expenditure.

However, as Mr Leon Panetta, the impressive new chairman of the House Budget Committee, pointed out last week, "add all of this up and it doesn't add up. Compromises will

have to be made, but that should not come from the defence budget and be viewed as failure." In contrast with the confrontational

relationship between the White House and Congress for much of the Reagan era, the current talk is all of bipartis-anship and extended hands between the executive and the legislature. President Bush meets leaders of the Democrat-controlled Congress for a first formal meeting today to explore such an approach. In practice, what is different is that

Mr Bush accepts that he will have to do a deal at some stage with the con-gressional leadership rather than override it as Mr Reagan did in 1981. If agreement is not reached, the proce-dures to sequester funds automatically to reduce the deficit will come

into force in October. Mr Darman described sequestration as an unattractive alternative, because half the money would have to

both sides, a budget compromise is preferable. For Mr Bush, a budget agreement would prove that be can show leadership even when faced with a Democratic Congress. **Premier of Grenada loses** 

post as ruling party head

## Bush panel to consider tighter laws on ethics

### By Lionel Barber in Washington

week to appoint a commission to study how to tighten ethics laws governing senior Admin-istration officials and members

that he will not tolerate the kind of lapses in the Reagan Administration which saw more than 100 officials, including Mr Ed Meese, the Attorney General, leave the government under ethical clouds.

as Mr Lloyd Cutler and Mr Federal jobs.

must subcontract at least 30 per cent of their city contracts to minority-owned businesses. The decision has far-reach-ing implications, as hundreds of state and local governments have "set-aside" programmes similar to the one in Virginia. The roling underscored the fears of civils rights groups that the court tended to view many "affirmative action" pro-grammes designed to belp the separation from the relaxed the separation from the related Reagan years, a point be stressed yesterday when he declared that the lights in his White House will "burn brightly well after dark". The commission will include Republicans and Democrats. grammes designed to belp minorities as reverse discrimi-Several reported recruits, such minorities as reverse discrimi-nation against whites. The decision was a victory for the Reagan Administra-tion, which had argued against the programme. At issue was a five-year pro-

PRESIDENT Bush plans this Griffin Bell, served under President Carter. The panel will report within 30 days, when the administration plans to

me annihistration plans to propose legislation. Mr Bush seems to have two goals in mind when appointing a hipartisan commission - the first being his desire to stress co-operation with the Demo-metic combrolled Compared Bart cratic-controlled Congress. But be also wants to ensure that

ethics legislation applies to Congress as well as the execu-tive branch. Congress, meanwhile, is pre-paring to revive an ethics bill which President Reagan vetoed which President Reagan verbal last year. The hill would have tightened restrictions on lobby-ing by former government offi-cials and members of Congress, but Mr Reagan argued that it would have made it more diffi-out to member and would have

cult to recruit good people to mment stance.

### Amnesty hits at **Brazilian** justice By Ivo Dawnay In Rio de Janeiro

LAND disputes in Brazil claimed the lives of 90 rural MR Herbert Blaize, the ailing Prime Minister of Grenada, has workers last year, Ampesty International claims in a report lost his position as leader of the ruling New National Party. However, he will remain head

of the Government. Mr Blaize has been replaced The disputes have caused 1,000 murders since 1890 but there have been only three convictions, the report adds. Mr Oscar Correa, Brazil's hy Mr Keith Mitchell, the island's Public Utilities Minis-ter and general secretary of the NNP. When the vote on the

Mr Oscar Correa, Brazil's Minister of Justice, yesterday conceded the number of kill-ings was probably far higher. According to the Annesty report, "Brazil - Open Target for Assassination; a policy of negligence", failure to prose-cute gummen could be linked to generation

Minister from office. He said: "I want to say to each and every one of you, he [Blaize] continues to have my Mr Corres said: "The assassi nations in land conflicts can-not be 90, but 9,000." His reaction suggests criticism of law confidence and 1 am sure the confidence of all the parliaenforcement may bave pro-voked a more self-critical Govmentarians to continue to take care of Grenada."

By Canute James in Kingston The NNP was a hastily arranged coalition which won o general election in 1984, a year after a US invasion top-pled the military junta which hod token power after the assassination of Mr Maurice

because "it would be an extremely

Ded signal for financial markets". Democrats in Congress would object to sequestration because it would fall heavily on programmes affecting children and the poor. The option of raising taxes appears to have been ruled out for this year – at least in terms of the "duck test" of what the public congression exactly as a set of the set.

what the public generally regards as a

tax increase, leaving aside the contin-uation of existing taxes, such as on

telephone service, and changes of defi-

nition with limited revenue impact. Any other course would undermine the new president's political credibil-

ity, given his repeated campaign pledge of "no new taxes". Hence, on

bad signal for financial markets".

Bishop, the Prime Minister. The NNP has since been troubled by dissension, with leaders of two of the three factions leaving to form another leadership of the party was taken at the annual convention party. Mr Blaize has also suf-fered poor health and has travat the weekend, Mr Mitcbell received 190 votes to Mr elled regularly to the US for Blaize's 155. Mr Mitchell said he would not seek to remove the Primo medical ottention. He is not expected to step

down voluntarily as Prime Minister and could be faced with a vote of confidence in parliament. The loss of the leadership of the ruling party may also force him into hringing forward a general election which is due in the next 12 months.



groups, yesterday struck down a local law that set aside con-tracts for businesses run by members of racial minorities, Reuter reports from Washingof Congress. Mr Bush intends to show The 6-3 decision declared unconstitutional a require-ment in Richmond, Virginia,

that construction companies must subconfract at least 30 By focusing quickly on eth-ics, Mr Bush hopes to complete

published this week.

government collaboration.

year, and a continuation of deflationary measures announced last week, seem set to repeat the error. As the Government appeals for mity the opposition is unit-ing to confront it. Emigration is reaching alarming rates. Almost anyone it seems with the fill appear in the seems with

the \$1,300 to buy an illegal entry into the US is contem-plating the move. Crime rates

have shown a dramatic rise. The problem now, with infla-tion out of control, production falling and both Keynesian and monetarist solutions having monetarist solutions having been tried and failed, is that there are few precedents as to how to proceed. Nicaragua has entered the ethereal reahn of experimental economics. But President Daniel Orte-man provide managements

ga's room for manoeuvre is now extremely narrow. With-out a convincing political set-tlement with both the US and the opposition, which might attract an inflow of foreign finance, any new economic measures now seem to be doomed to failure.

Joseph Mann in Caracas. Last year's increase of \$58m in foreign investment con-sisted mainly of reinvestments of retained earnings and similar operations carried out by foreign industrial concerns already established in Venezuela, according to Mr Juan Carlos Perez-Segnini, the head

\$157mL of Venezuelan Government

foreign debt at a discount and subsequent investment of the local currency value of the debt in Veneruela.

# GILT EDGED GIFTS FROM THE FINANCIAL TIMES...

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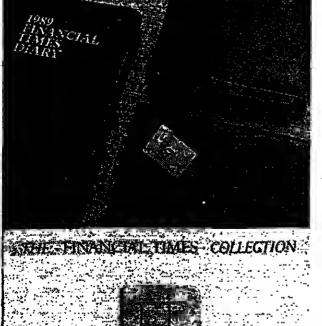
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## in Venezuela

At issue was a necrose pa-gramme on building projects. Justice Thurgood Marshall, the only black ever appointed

to the Supreme Court, issued a

strongly worded dissent say-ing the decision marked a

full-scale retreat from the

court's commitment to equal-ity of economic opportunity.

He was joined by the court's

other liberal members, Jus-tices William Brennan and

**Foreigners** lift

Harry Blackmun.

investment

DIRECT foreign investment registered in Venezuela reached \$2.15hm at the end of last year, up 20 per cent, according to the Government's Superintendency of Foreign Investment (Slaz), writes

Carlos Perez-Segnini, the head of Siez. Siex also said that the Government has approved or pre-qualified debt-equity swap projects worth \$450m, and had given a green light to 106 pro-jects in debt conversion worth Swaps involve the purchase

# suits are probably the best in the world - they certainly would agree that in banking it's what lies behind these pin-stripes that makes the difference. Especially so in their own country, with its many-sided economy and range of cultures. In Italy Credito Italiano has earned itself the affectionate nick-name of "La Banca in doppiopetto grigio". (Loosely translated, "The bank in the pin-striped suit"). So, as the name implies, we are strong, professional and reliable. But behind the serious facade we're also friendly, young at heart, dynamic and very adaptable. young at heart, dynamic and very adaptable. Founded 118 years ago, Credito Italiano today has nearly 500 branches in Italy alone, but

Whilst Italians wouldn't agree that all suits are

the same - and why should they, after all Italian suits are probably the best in the world - they

nas nearly 500 brancies in hay alone, but more importantly, we are the number one Italian bank in terms of geographical distribution of our branches. So we really know what we're talking about on our home ground. But we're also at home all over the world, with a direct presence in the main formula contrast and curr slokel in the main financial centres and our global network of correspondent banks. We were the first Italian bank to open in London, and our branch is now the point of reference for

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# values.



Indian Prime Minister Rajiv Gandhi greets Nguyen Van Linh, General Secretary of Vietnam on his arrival yesterday at New Delhi. Linh is in India on a 6-day official visit.

### **Bhutto saved** from election in Baluchistan By Christina Lamb in

Islamabad

MS BENAZIR BHUTTO, Pakistan's Prime Minister, has escaped the need for elections in the volatile province of Bal-ochistan after a High Court overtarmed the Governor's decision to dissolve the provincial assembly. The dissolution of the Bala-

chistan assembly on December 15 just four weeks after elecions was the first crisis for Ms Bhutto's Government. Bainchistan was the only

province where Ms Bhntto's Peoples Party had formed a coalition with the opposition Islamic Democratic Alliance (IDA). Mir Zafarullah Jamali of the IDA was elected chief minister with a one-vote majority and when one of his members changed sides be asked the Governor to dissolve the assembly and hold new elections, because he could not

elections, because he could not secure a vote of confidence, required within 60 days. Ms Bhotto's then-Law Minis-ter initially defended the Gov-ernor's action, and the Prime Minister's protests that she was not consulted went largely unheard as she had been dining with the Governor the night he took the action. the night he took the action.

The Balnchistan High Court's decision overturning the order comes as consider-able relief to the Government face serious

## **Burma rolls out red** carpet for press tour By Chit Tun in Rangoon

## BURMA opened its doors at the weekend to the largest crowd of foreign journalists ever to arrive in the notoriously inac-

the journalists, including two students listed by Annesty International as missing after their return bome. Reporters asked the students if they had cessible state. been forcibly repatriated by Thai anthorities and if their return was marked by arrests and ill-treatment in Burma. "No, not at all," was the stock In total, 46 Bangkok-based journalists from Europe, the US and Far East accepted the Burmese Government's invita-tion for a free, three-day fact-

finding visit. reply. Many of them were new to At the end of the trip Gen Khin Nyunt told a press con-ference in Rangoon that Burma and came more out of curiosity about a country virtually closed to newsmen for reports of the arrest or harassthe past 26 years than in expec-tation of stories. ment of students after their return bome were ill-con-ceived. He said the Govern-

They were treated to tradi-tional Burmese hospitality: bil-leted in the best hotels and ment had the same affectionate regard for the students as all travelling in two Burma Air Force Fokker aircraft between "parents have for their offspring". Gen Knin Nyunt said the Rangoon, the capital, Loikaw Government's promised multi-party elections would take place only "when the 180-odd newly-formed political par-ties have completed their organisation work, have ceased and Taunggyi, capitals of the Kayah and the Shan states, Meiktila and Pagan, the 11th Century capital, in central

The trip was arranged to enable them to interview some wrangling among themselves, of the students who have returned bome from Thailand and law and order has been restored to the country". The trip gave the journalists an insight into official Bur-mese reaction to foreign critiafter fleeing Burma in the wake of the September 13 mili-tary takeover. The visiting press corps also had a meeting mest reaction to foreign crist-cism. Meanwhile, the Govern-ment - which is understood to have spent Kyat 70,000 (26,180) on the trip - bopes it has developed a new rapport with foreign journalists, who with Brig Gen Khin Nyunt, the powerful secretary of the State Law and Order Restoration Council, as the military gov-ernment officially describes itself

# Hanoi and Peking pull back from conflict John Ridding on the economic strains and Soviet pressure to end a decade of enmity

T HE long-etanding enmity between China and Vietnam, which has provided one of the greatest obstacles to the process of detente in the region, is finally showing signs of easing. Lot I addition, the pres-ence of its troops in Kampo-chea, although funded by the Soviet Union, deprives it of moch needed trade and ald under a US-led embargo. obstacles to the process of detente in the region, is finally showing signs of easing. Last week Dinh Nho Liem,

the Vietnamese deputy foreign minister, was in Peking for a series of official meetings including talks with Qian Qichen, the Chinese Foreign Minister. It was the first visit by a senior official from Hanoi for almost a decade and the discussions, which covered the conflict in Kampuchea and ter-ritorial disputes, represented an important step towards normalising relations.

The reopening of contacts The reopening of contacts reflects the interests of both parties in improving relations and, in particular, of resolving the conflict in Kampo-chea – the main area of dis-pute between Hanoi and Peking. The two constries fought a border war in 1979 following the Vietnamese inva-eion of Kampnchea, and Peking has since been the prin-cipal sponsor of the guerrilla condition for the destruction coalition fighting the Hanoi-backed regime which replaced its Khmer Rouge allies in Phnom Penh.

For Vietnam, the costs of ror vietnam, the costs of maintaining a standing army which is estimated to be the fifth largest military organisa-tion in the world has placed an

The situation is now critical. According to Nguyen Xuan Oanh, an adviser to the Hanoi Government, shortages of basic foodstuffs and consumer goods

have resulted in inflation of between 700 and 1,000 per cent. Vietnam is already unable to feed itself and the population is growing by more than a million a year. For China, economic consid-

erations are also important. The diversion of resources from the military is a central part of the leadership's reform strategy and is reflected in Peking's adoption of a more pragmatic foreign policy. An equally significant con-sideration, however - for both Hanoi and Peking - is the influence of the Soviet Union. Mr Mikhail Gorbachev, eager for improved relations with China, and anxious to limit erations are also important.

China, and anxious to limit Soviet economic support for a war Vietnam appears unable to win, has applied pressure on its ally in Hanoi to resolve the Kampuchean conflict. For its part, China does not want the ongoing process of Sino-Soviet rapprochement derailed by disputes with Vietnam.

But any moves towards rap-



prochement are likely to be slow. Hostility between the two countries dates back for centu-ries and recent years have seen new sources of tension arise over and above the conflict in Kampuchea in particular. Chi-nese and Vietnamese naval forces clashed last March over the disputed Spratly Islands in the South China Sea.

oversee the withdrawal of Viet-namese troops. The contact between Viet-nam and China is itself cause for optimism in this respect. Combined with the develop-ment of Sino-Soviet ties it pro-vides a favourable environ-ment for resolving the conflict. But while the external situa-tion may seem to have improved, the internal dispute between the four Kampuchean factions fighting for influence The deep-rooted mutual sus-picion is reflected in the protracted manoeuvring which preceded last week's meeting. China repeatedly rebuiled Viet-nam's call for direct talks, insisting that Hanoi must take factions fighting for influence in Phnom Penh remains bitter and complex. The last round of talks, which was held in France in December, broke up following the guerrilla coali-tion's rejection of the Phnom Penh government's peace proconcrete, rather than must take symbolic, steps on the Kampu-chean issue and in particular provide a timetable for the withdrawal of its troops

posals. Despite these problems, Simo-Vietnamese rapprochament In the event, it seems that the deadlock was broken by the Phnom Penh Government's the Finom Penh Government's announcement that a with-drawal of Vietnamese troops could be achieved by Septem-ber this year – a significant advance on its previous posi-tion of withdrawing by the end of 1900 of 1990. Further progress in improv-ing relations will itself depend on progress on the Kampn-chean issue. China continues to demand that Vietnam accepts the five-point plan of Prince Norodom Sihanouk, and in particular the establishment of a quadrimartite coalition

in particular the establishment of a quadripartite coalition government in Phnom Penh and the presence of an interna-tional peace keeping force to oversee the withdrawal of Viet-

Vietnamese rapprochement will be encouraged by the warming of diplomatic ties elsewhere in the region. In par-ticular, Thailand, the conduit of Chinese arms to the Khmer Ronge, has taken steps to improve relations with its Indeclinese valorburge

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konge, has taken steps to improve relations with its Indochinese neighbours. Barlier this month Mr Siddhi Savetsila was in Hanoi on the first visit by a Thai Foreign Minister for 13 years. Do Muoi, the Vistnamese Prime Minis-ter, described the visit as "a turning point". A similar turning point has been passed in Thai-Laotian relations. In November last year. Mr Chatichai Choon-havan, the Thai Prime Minis-ter, travelled to Vientiane on the first visit by a Thai pre-mier for ten years. Another diplomatic first was achieved last weekend with the arrival in Bangkok of Mr Hun Sen, the Kampuchean Prime Minister, to discuss the Kampuchean issue and the repatriation of refugees from Thailand. Should China and Vietnam follow Thailand's lead, a

follow Thailand's lead, a degree of stability will be accorded this volatile region. In any event, the traditional division between Peking and Bangkok on the one hand and Laos, Vietnam and Kampuches already seems less sharp.

**Rebels to** 

send food

Lebanese Central Bank under pressure

Jim Muir reports on threats to the country's last unified institution

AFTER surviving 14 years of civil strife and political disintegration in remarkably good shape, Lebanon's banking sec-tor is now teetering on the brink of a crisis which could make the Intra Bank crash of 1966 look like a minor ripple. As in 1986, the origins of the

current crisis are as moch political as they are financial and economic. But unlike the situation in 1966, the surround-ing economy is in much less resilient shape. What is more, the country's partitioned gov-ernment is too paralysed to tackle an emergency which could threaten its last unified institution, the Central Bank, as well as shaking banking and business to their foundations. "The rot has reached the last

Minister. "This is really seri-ous. I can't see how the situ-

The problem started with the

collapse late last month of Bei-rut's Al-Mashreq bank, chaired

by Mr Roger Tamraz, a Leban-

ese businessman. But bankers and officials at the Banking Control Commission (BCC) agree that it has developed into a big crisis because of the

Central Bank's handling of the

affair - and specifically, because of positions taken by Mr Edmond Naim, its gover-

Because of the Lebanese

in be salva

Government'e paralysis in recent years, and especially since its partition into two rival administrations last Sep-tember, Mr Naim has been able to assume unprecedented pow-ers over the allocation of government money. A lawyer and university dean, he had no experieoce in banking when be was brought out of retiremen to take up the governorship in

Mashreq fell when it was unable to meet the withdrawal demands of depositors alarmed by a spate of local media reports about the bank's lack of liquidity. The bank's prob-lems are blamed by BCC officials on Mr Tamraz himself, a close associate of Mr Amin Genayel, the former Lebanese President. Mr Gemayel appointed him chairman of the remaining good apple in the barrel," said Dr Elias Saba, a-banker and former Finance

partly state owned Intra invest-

ment Company (IIC) in 1983, and through IIC, Mashreq and ther acquisitions, he gained

control of an estimated 22 per

cent of the Lebanese banking

Mr Tamraz's sin as far as the

BCC is concerned is that he

used Mashreq and other depos-

lts on a massive scale for

long-term investments, a prac-tice severely restricted after

the Intra crash. Many of his deals involved

militia chiefs, including Mr Walid Jumblatt, the Druze leader, and the Christian Leb-

anese Forces, whose airstrip at

sector.

Hallat he financed. But the Christian militia is now believed to have been behind the campaign which brought

him down. After Mashreq collapsed, the Central Bank agreed condition-ally to underwrite claims on Mashreq by local non-institu-tional depositors.

The consequences are unpredictable, but one result could be the flight abroad of much of the \$3bn held in foreign currencies by the commercial banks

But Mr Naim has refused to extend cover to Mashreq's overseas branches in Jordan and Qatar, and to its affiliates, the Banque de Participation et Placements (BPP), in France and Switzerland, Both of Leba-non's rival Prime Minis-

ters - Dr Selim al-Hoss in Mos-lem West Beirut, and Gen Michel Aoun in Christian East

Beirut - agreed that Mash-

req's international commit-

Far from doing so, Mr Naim telexed the Central Banks of

the countries concerned in

early January, warning them that Mashreq was in distress - and triggering panic with-drawals which plunged the

Mashreq branches and the BPP

ments should be honoured.

into deep trouble. At risk now, bankers and politicians say, is the integrity of Lebanon's entire banking system, especially since the Central Bank is refusing to underwrite the International obligations of a bank in which it has a sizeable stake. The Central Bank has a 26 per cent Central Bank has a 38 per cent shareholding in IIC, which in turn has 42 per cent of Mash-req. What is more, the IIC

owns 99 per cent of Mashreq's BPP affiliate in France, while Mashreq itself owns all of BPP Switzerland. The fear now is that other Lebanese banks abroad may find themselves under pressura. One result could be the flight abroad of much of the \$3bn held in foreign currencies by the commercial banks. "No hank is safe if that were to-

happen on a massive scale," said Dr Saba. Ironically, the row over the handling of the crisis has taken some of the heat off the

tration was partly responsible for the lack of food, The Pakistan-based resis-

supplies to Kabul By Christina Lamb THE Afghan resistance leadership has decided to send food supplies to Kabul to ease

what are reportedly the worst shortages of the nine-year war. Wheat, flour and kerosens will be taken to distribution points around the city from

where civilians will be able to claim free supplies. The decision comes after remarks on Soviet television that the inefficiency of the Soviet backed Kabul adminis-

tance alliance hopes to win civilian support by the action and show that it could meet the needs of the people if it took over the capital.

uprest if elections had to be itself. held.

### Italy to pay for African drought warning service

ITALY has agreed to pay for the creation of a regional drought early-warning system for East African countries, the UN Food and Agricultural Organisation said yesterday,

AP reports from Rome, The \$6m project will be developed by the East African Intergovernmental Authority oo Drought and Developm with technical assistance from the FAO, a statement said. It will be based in Djiboutl and is expected to be completed by 1992. The compotenised system, known as the Barly Warning and Food Informa-tion System, analyses weather forecasts, crop assessments and nutrition studies to pre-dict regional food shortages.

The East African Intergov-ernmental Anthority was created in 1986 by the governments of Djibonti, Ethiopia, Keoya, Somalia, Sndan and Keoya to fight drought and other natural disasters.

## Savimbi angers Unita UNITA rebels accused the statement signed by Mr Zambian President Kenneth Jeremias Chitunda, Unita Kaunda yesterday of insulting Vice-President. the Angolan people by urging rebel leader Jonas Savimbl to

More than 170 students met critics.

Kaunda statement on

The rebels also accused President Kaunda of contributing nothing to the regional peace go into exile in the US, Reuter reports from Lisbon. "Kaunda's statement is not agreements signed last month by Angola, Cuba and South only proof of his ignorance of

Under the accords, the 50,000 Cuban troops based in Angola will leave by mid-1991 and a UN-sponsored plan for Nami-bian independence will begin Angolan affairs but also an unforgivable insult to our people," the National Union for the Total Independence of Angola (Unita) said in a statein April this year.

are some of Burma's loudest

ment distributed in Lisbon. President Kaunda said on Unita has been excluded from the peace process although diplomatic sources Sunday that a US offer of asy-lum for Mr Savimbi would attough opiomatic sources said the Angolan Government might reconsider its opposition to direct talks if Mr Savimbi were replaced. The four-nation Joint Monitoring Commission LIMCD which is overcasing set facilitate talks between his pro-Western guerrillas and Angola's Marxist government, The rebels, who have fought a bush war since Angolan inde-pendence in 1975, said national (JMC) which is overseeing set-tlements in Angola and Namireconciliation talks were possible only with Mr Savimbi as leader of their delegation. bia has begun its first round of meetings in New York to dis-cuss the practical implementa-tion of the peace agreements. "Dr Savimbi is not the prob-lem...He is the solution," said

nian Foreign Minister, attended a meeting at the Damascus Foreign Ministry with his Syrian counterpart Mr Farouq al-Shara and Mr Nabih Berri, leader of Amal, one of the feuding militias. Diplomats said that depend-

nor.

IRAN AND Syria began talks yesterday aimed at ending three weeks of heavy fighting could meet later with repre-sentatives of the rival Irani-an-backed Hizbollah (Party of between the rival Shia Moslem militias which they support in Lebanon, Renter writes from Damascus. Officials said Mr All Akbar Velayati, the Ira-God). Fighting between the militias in Beirut and south Lebanon has killed et least 142 people and wounded scores more since January 1.

odds since Hizboilah emerged with Iranian backing in 1984 to challenge Amai's domination of Lebanon's 1.5m-strong Shia community.

ing on progress at the talks leaders of pro-Syrian Amal

representatives. He told senior Amal officials, Amal reporters after meeting Mr Shara that apart from tacking the Shia problem, they had also discussed bilateral co-opsays that Hizbollah gunned down Mr Daoud Daoud. Mr Mohammed Fakih and Mr Hassan Sabaiti in West Beirut last September, a charge Hizbollah has repeatedly denied.

The diplomats noted that Sheikh Mohammed Hussein Fadlallah, Hisboilah's spiripower broker in Lebanon, where it maintains 25,000

tual mentor, was not in Damascus for the talks. No fresh fighting has Mr Berri, speaking to report-ers yesterday, repeated Amal'a erupted between the militias position that the fighting could stop only when Hizbol-lah handed over to Syrian in Lebanon over the past few days eince Iran and Syria stepped up efforts to achieve a truce. troops the killers of three

man who triggered it in the first place. Mr Tamraz, who was stripped of the Mashrey chairmanship in early January and has been barred from travelling abroad, is living in fine style in West Bearut. "In a sense, it has relaxed me," he said. "The Central Bank was

bothered because there was a

swatting it."

reports from Peking. Actual investment was \$2.4bn, up 12.8 per cent. The top investors remained Hong Kong and Macao, followed by the US and Japan.

China is cutting foreign investment in hotels and office huildings but welcomes it in telecommunications, energy, transport, and production of raw materials, the ministry said.

### Singapore deficit

Singapore's trade deficit nar-rowed in December to \$\$652m from a revised \$\$984m in November and \$\$752m in December 1987, the Government's Trade Development Board said, Reuter reports

Board said, Heuter reports from Singapore. It said imports rose in December to \$8.26bn from \$7.8bn in November and \$6.65bn in December 1987, while exports rose to \$7.61bn from a revised \$6.82bn, com-pared with \$5.9bn a year ago.

### Indonesia slowly creeps out of its decade-long crisis Peking satellite deal

John Murray Brown in Jakarta examines the effects of the country's reform programme since the oil revenues ran out

NDONESIANS can seem a fickle lot. Today, at the very moment the economy sbows signs of a recovery, President Suharto's cabinet is divided over strategy, a state company is embroiled in a major row with the country'e main trade and investment partner, Japan, and local busi-nessmen are curiously complaining of "unhealthy compe-tition."

Indonesia has never been a free market apostle. Yet by the standards of many developing countries its recent efforts to reduce its dependence on its main export, oil, have been bold and imaginative. The cur-rency, the Ruplah, has been devalued, public spending sinshed and some if oot all of the privileged trade monopo-

lies scrapped. The thrust of the reform programme, orcbestrated by Mr Radius Prawiro and other western-trained economists in the cabinet, has been to raise efficiency and boost exports at a time of uocertain external trading conditions. The measures also promote private enterprise in areas previously controlled by the state, aiming at the maze of vested interests

EAST ASIAN ECONOMIES

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INDONESIA

bate the already appalling problem of income distribuwhich has thrived in this fortion. Indonesia is Asia's largest mer plantation economy since oil producer and the region's only Opec member. Bot it independence from the Dutch. in the 1970s, thanks to large remains a poor country. Its oll receipts, Indonesia embarked on big infrastructure 170m people enjoy a per capita projects, from satellite con-

of GDP.

income of less than \$500 (£280). "It's unfair to put us on an equal footing with countries like Malaysia and Thailand struction to the founding of the state aerospace industry. In agriculture, by adopting inter-ventionist policies, the country achieved self-sufficiency in which have a comfortable population and a far more manageable geographic size," says Mr Doro Djatun Knntoro Jakti, rice, its main staple. While the economy grew at around 8 per head of economics at the Unicent annually, foreign invesversity of Indonesia. General tors were seduced by indon-esia's buge domestic market, though equity conditions were Benny Murdani, the Defence Minister, warned recently that the current export drive could

frozen for four consecutive years, although this year's budget allows for a 15 per cent increase. Indonesia's manufac-turing base remains small,

accounting for just 14 per cent

Some government officials now fear that a fresh blast of

trade competition could exacer-

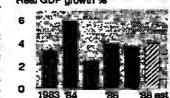
feed inflation in the rural econ-omy, where 80 per cent of indoprobably better elsewhere. The situation has changed markedly since then. Growth nesians make their living. has slowed sharply while oil receipts are now half the levels prevailing 10 years ago. Civil servants' salaries have been Already the prices of key comodities like rice have risen on local markets.

iocal markets. in October, the Government was reminded in the starkest terms possible of the dangers of ignoring the domestic econ-ony with the death of seven young Indonesians crushed in the stampede for jobs outside a provincial labour exchange.

indonesla's problems remain familiar: a large foreign debt, near-endemic corruption, a stinear-endemic corruption, a sti-fied private sector, and the growing menace of unemploy-ment. In 1987 the economy grew by just 3.7 per cent. For the current year. Bappenas, the National Planning Agency. is forecasting growth of around 4 per cent. In a speech in August, President Subarto said average growth rates would reach 5 per cent in the five-year plan ending 1993 - a fig-ure most economists say is the bare minimum to absorb the 11m new job seekers over the period. Making matters worse, over half will be educated to

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Indonesia Real GDP growth %



Consumer orices - inflation %

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high school level or better. "You can't expect these people to go back to the farms," says principal repayments bunching awkwardly, are projected to

'88 est

Dr Djatun. At \$50bn, Indonesia's foreign debt - both public and private - is now the highest in Asia. The yen's appreciation has not helped. Around 30 per cent of indonesia's debt is denominated in yen, while most of its exports, including oil, earn dollars. Debt service costs, with

Precarlous as it is, many for-eign bankers believe Indonesia can avoid a major debt. rescheduling. Capital flight is choked off by interest rates of about 20 per cent, by far the highest in the region. There has been a marked improve-ment in debt management. Japanese banks recently assued a new commercial loan agreed a new commercial loan carrying a dollar option, allow-ing Indonesia a hedge against adverse currency movements. The terms were also signifi-cantly better than on a similar borrowing in 1987.

Some bankers today speak of renewed confidence in the currency. But with the Government sticking to its free exchange policy, a run on the rupiah can never be ruled out. The high rupiah interest rates also burt domestic investment. The picture would almost certainly have been worse without the trade and investment reforms and a 31 per cent devaluation in late 1986, the third currency realignment in 10 years. In the first 11 months

of 1988 the Investment Board

approved 133 projects, worth a tal of \$4.17bn, against \$1.46bn in 1987.

Existing joint ventures, many of them Japanese, have utilised excess capacity, withised excess capacity, switching to export lines in response to the Government's latest measures. The country's cheap labour costs have proved particularly attractive to Kor-ean and Taiwanese companies in semi-skilled manufacturing

Government officials are now confident they can keep the current account deficit below \$2bn, half the 1986 fig-ure. Central Bank reserves also etand at a healthy \$6bn, enough for about five months of imports.

As ever, much will depend on the support of the country's main aid donors. At the their annual meeting in June, they pledged a record \$4bn, outdoing even the World Bank's recommendations. In particular, Japan'e willingness to underwrite Indonesia's economy, which has been badly shaken by the recent alumin-ium trade dispute, is what in the end could well determine the success of the reform pro-

gramme.

China signed a \$30m contract yesterday to launch an US-built satellite and officials said few obstacles remained in the way of Peking's goal of enter-ing the lucrative commercial

space market, Renter reports The scheduled 1990 launch of the telecommunications satel-lite Asiasat 1 has been over-shadowed by claims in the US shauwen by claims in me us that technological secrets could be leaked to Peking dur-ing launches of western satel-lites and that China's low prices are unfair competition.

### Japan spending

Japan plans to spend more both defending itself and helping out the Third World in the coming year, government offi-cials said yesterday, Renter reports.

### **Boost for industry**

Malaysia will spend much of the \$346m (£195m) it received from the \$20n Asean-Japan Development Fund to boost small and medium scale indus-

smail and medium scale indus-tries, Trade and Industry Min-ister Rafidah Aziz said, Renter reports from Knala Lumpur. Malaysia, the world's top producer of rubber, palm oil and tin, has embarked on a massive industrialisation pro-gramme to reduce its overdegramme to reduce its over-dependence on commodifies.

> 100

### China investment up Contracted foreign investment

in China last year was \$5.2bn, an increase of 42.4 per cent on 1987, the Ministry of Foreign Economic Relations and Trade told a news conference, Reuter

fly called Tamraz on its cheek. Naim took a gun and shot it, rathern than waving it away or

Syria, Iran's main Arab ally in the eight-year war against Iraq, is the main foreign

absorb 40 per cent of the coun-try'e exports and 30 per cent of the routine budget expendi-

tures in 1989-90. Precarlous as it is, many for-

eration.

Iran and Syria try to end Shia fighting

Mr Velayati, who arrived on Sunday night, has also had separate meetings with Mr Shara, Mr Berri and Hizbollah

The two sides have been at

the second s

## WORLD TRADE NEWS

ucts.

# Hyundai to contest EC container traffic levy

By Kevin Brown, Transport Correspondent

HYUNDAI Merchant Marine, the shipping industry. the South Korean shipping Hyundai has always mainthe South Korean shipping line, is to appeal to the European Court against the imposi-tion of a 26 per cent levy on container traffic between the European Community and Australia.

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Hyundai said in a circular to hyundai said in a circular to shippers that it was withdraw-ing from the Europe-Australia trade' immediately, but would restart services if the court were to rule in its favour. The levy was imposed by the EC Coursel of Minister of Minister

The levy was imposed by the EC Council of Ministers after an investigation by the Enro-pean Commission of allega-tions by rival shipping lines that Hyundai was benefiting from unfair enveryment subsifrom unfair government subsidies. rates.

The decision marked the The decision marken the first use of penal duties to com-bat alleged unfair pricing in a service industry, and the first use of a regulation against alleged unfair price-cutting in

TRAKYA Cam Sanayii, the

By Peter Montagnon, World Trade Editor

absorb the higher costs of one of the conference shipping tained that its pricing policy is commercially justified. It "It is astonishing that, while the complaining lines who claims the imposition of the levy is an attempt to force South Korea to amend domes-tic legislation on subsidies.

The complaint against Hymdat's pricing structure was made by the eight EC shipping companies which are members of the Australia Conference said. that co-ordinates services and prices. Hyundai's claim that it is

fighting for open competition in a free market is supported by European shippers' organi-sations, which have benefited from the company's low freight

Softana operates in the Softana operates in the Sonth Pacific, where it has a slot chartering (container space) agreement with Hyun-dai's Pacific services. It was Mr Jack Welsh, director of the British Shippers Council, said some European exporters not clear what part Hyundai had played in the establishwould now have to choose whether to withdraw from the ment of the new service to Anstralian market, or to

## **Brussels** to seek talks for ending meat row

By Tim Dickson in Brusseis

THE EUROPEAN Community yesterday indicated its eager-ness to explore all possible means through peaceful nego-tiations before embarking on a claimed injury continue to trade with fully laden southbound ships and rising prices, the alleged aggressors are forced to withdraw their ser-vice and their customers lose export business," Mr Welsh new round of retaliation in the transatlantic dispute over hor-mones in US meat exports.

Foreign ministers of the 12 However, it has also emerged EC states, meeting in Brussels, decided not to put into effect that an alternative low-cost Europe to Australia service is new trade sanctions against being established by Sofrana Line, initially using a single ship starting from Felixstowe. the US at least until after their next regular monthly session on February 20.

The move provides a short breathing space in the hostili-ties, and means that both sides will be looking to the forth-coming Council of the General Agreement on Tariff and Trade (Gatt) on February 8 to unblock the current deadlock.

The EC in particular is seeking Gatt condemnation of Washington's action on Janu-ary I, when it imposed 100 per cent duties on almost \$100m of annual European food imports, itself a reaction to the EC's han on \$100m of hormone-Turkish glass-maker to expand

day invited "the new US administration to suspend uni-lateral measures in the mean-

new decision as being at once

years. Also last year, exports of all types of steel declined 8.6 per cent to 23.47m tonnes while their value increased 21.6 per cent to \$2.8bn due to the sharp rise of the yen. prunes, apples, pears, paw-paws, and fruit salads).

## US switches on TV of the future

### Louise Kehoe on plans for investment in high-definition television

sumer electronics field, bring-ing benefits to all sectors of the RGED on by their sup-porters in Congress and the Administra-

ernment-backed industry con-sortia to develop High Definition Television (HDTV)

nies ranging from the com-puter giant international Busi-ness Machines to small

Republican and member of the powerful Energy and Com-merce Committee, declared at a recent consumer electronics industry meeting. "There is a growing consensus that HDTV is vital to our national economy and security." "The US Congress is not

itivenes

going to want to see America left out of the creative origination of the next generation of television technology," Con-

other countries, so too will the expertise that will develop and produce its components and allied products. This all means jobs, but it also means compet-

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Bource: Projections propared for AEA by BIS Machinesh

The purpose of this partnerehip, according to Pat Hill Hubbard, the AEA's vice-presi-

dent, will be to "capture or

assist in the capture of a majority of the hardware mar-

kets associated with an antici-pated US high-definition tele-vision business."

Only through such a collabo-rative effort will US industry win a share of the HOTV mar-

ket, industry officials claim.

large scale.

systems, and defence systems, to name but a few.

development of HDTVs be in

"Should the research and

stage further, however, to include manufacturing and sale for profit of consumer products. But this raises new anti-trust questions. itiveness." While many aspects of the industry proposal have still to be worked out, what its plan-ners have in mind is a limited partnership that would develop HDTV products and then man-ufacture them, for profit, on a

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that needed for advanced com-puters, telecommunications systems, and defence systems,

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Ogy

Industry officials are confident, however, that legal barri-ers will not prevent the forma-tion of HDTV consortia. They note that outgoing Commerce Sceretary William Verity has called for revision of anti-trust laws to allow industry collaboration.

ment funding of industry con-

sortia has been set by Sema-tech, a consortium aimed at

advancing the technology for

chip manufacturing technol-

The HDTV proposal takes

collaboration a significant

in a farewell speech last Friday, Mr Verity reiterated his view that "it (should) be possi-ble for high technology companies or other companies to get together, not only just research together, bnt develop and pro-duce together and markct together and then compete."

Aithough Mr Vcrity retired when President Reagan left officelast week, his successor, Mr Robert Mosbacher, is said to share his views on this

Having raised expectations in Washington, the US electronics industry must now decide bow much it is prepared to invest in HDTV. To date, nonc of the companics involved in the planning stages of the effort have committed funds beyond those to pay for the preparation of the business plan, they stress. Neither are most of the members of the AEA's HDTV panel interested in entering the television mar-ket. Without industry commit-ments, however, these ambitious plans for a US HDTV industry cannot move ahead.

Gulf states press for EC liberalisation accord

THE six-nation Gulf Co-operation Council yesterday stepped up its diplomatic campaign to persuade a reluctant European Community to negotiate a trade liberalisation pact, writes William Dawkins in Brussels, writes William Dawkins in Brussels. Mr Abdullah Bishara, GCC secretary-general, met the exports to the Community

enter free of duty. But the member states with the largest Gulf three European Commissioners terday responsible for industry, Mediterranean relations and petrochemical industries are energy. He urged the Commis-sion to start talks on extending unwilling to drop tariffs on the sensitive petrochemical goods included in the remaining 5 per dnty-free access to all GCC cent and surrender this protec-tion against low-cost Middle Eastern competition. Yet the EC has an incentive to open

trade talks with the Gulf so as to improve access for its own exports there.

One solution being can-vassed in parts of the Commission is a step-by-step trade lib-eralisation, with safeguards to protect EC petrochemical producers if Gulf imports passed certain levels.

IFC said it is to provide loan finance worth \$55m as well as equity funds of \$3.9m for the project. Of the loan finance, International Finance Corpora-tion, the World Bank affiliate Egyptair orders **Record Japan steel imports** By Michiyo Nakamoto in Tokyo ROLLED steel imports by Japan in 1988 rose 42.5 per cent, compared to the previous AIRBUS Industrie has cent to a record 67.7m tonnes, largely as a result of a signifi-cant increase in capital spend-

Domestic consumption of

which channels funds to the

It involves the installation

announced that Egyptair, the Egyptian state airline, has year, to a record high of 6.32m ordered three A320 jets with an tonnes, according to the Japan Iron and Steel Federation. It option to buy three more, Reuter reports from Paris. Egyptair has already bought eight Airbus A300s, and it attributed the increase to buoyant domestic demand and the lower price of imports due to the sharp appreciation of the yen against the dollar.

placed an order in August 1968 for two A300-600R jets. Airbus said deliveries of its latest order will begin in 1990. Firm sales of the A320 airrolled steel last year is esti-mated to have risen 9.7 per

liner now number 451, from a total of 24 airlines.

· : ·

three Airbuses

Turkish glass-maker, is plan-ning a \$142m expension project which will allow it to double exports to 180,000 tonnes a year and turn it into one of the largby 1991 of a second float-glass line at Trakya's plant 150km from Istanbul. This will also and turn it into one of the larg-est float glass producers in Europe and the Middle East. The expansion will be car-ried out with the help of Pilk-ington of the UK and Toledo Engineering of the US, and is being financed in part by the International Finance Corporapermit local manufacture of coloured float glass, a product which Turkey now has to import.

private sector.

Turkiye Is Bankasi, one of three shareholders in Trakya

alongside IFC and the Sise Ve Cam glass concern, is arranging separately local currency finance equivalent to \$15.7m.

ing by major corporations.

Meanwhile, domestic crude steel production advanced 7.3

per cent to 105.67m tonnes, ris-ing above the 100m-tonne mark

for the first time in three

\$20m will take the form of a subscription to a syndicated credit being assembled by Ger-many'e Bank fuer Gemeinwirt-schaft, Crédit Suisse, Morgan Guaranty and Austria's Laen-derbank which will fund the hulk of the project's foreign currency needs. Turkive is Bankasi, one of treated American beef. The foreign ministers yester

time". The officials presented their

tough and conciliatory, stressing that "the contermeasures will be put into effect unless there is satisfactory progress in Gatt or in bilateral negotiations with the US".

The fact that the foreign ministers did not set a specific date for exacerbating the dispute was seen by some observ-ers as what could be a significant coftening of the EC' hitherto resolute approach. While agreeing to "take stock of the situation at its

session on February 22", the Council approved the revised list of retaliatory measures by the EC. These consist of raising cus

toms duties to 100 per cent on walmats in shell and certain dried fruit (apricots, peaches,

electronics industry. "The future of US electronics is what is at stake," Congresstion, a US electronics industry group last week announced plans to develop a detailed proman Norman Lent, a New York posal for the formation of gov-

technology. The industry group, sponsored by the American Elec-tronics Association, includes representatives of 17 compa-

specialist companies. Over the next two months, it will pre-pare a "business plan" for

US TV BECEIVER MARKET - FORECAST HDTV consortia. The plan will be, in effect, an investment 1990 1995 2000 2005 be, in effect, an investment prospectus, through which it is hoped that several US compa-mies as well as the Federal Government will be drawn to invest in a partnership that will develop HDTV technology and manufacture HDTV prod-Standard sets - units (m) 22.9 22.3 - value (\$bn) EDTV - units (m) 8.7 9.8 1.0 1.0 - value (Sba) HDTV - units (m) 0.1 1.5 5.4 23.3 24.7 25.9 10.9 15.2 17.1 - value (Sbn) Total US units - (m) Total US market value (Sbn) 22.9 8.7

EDTV: Enhanced definition TV - an I HDTV: High definition TV High definition television is the technology behind the TV set of the future - larger screens, sharper pictures and a shape closer to that of the cingressman Don Ridder, co-founder of the Congressional

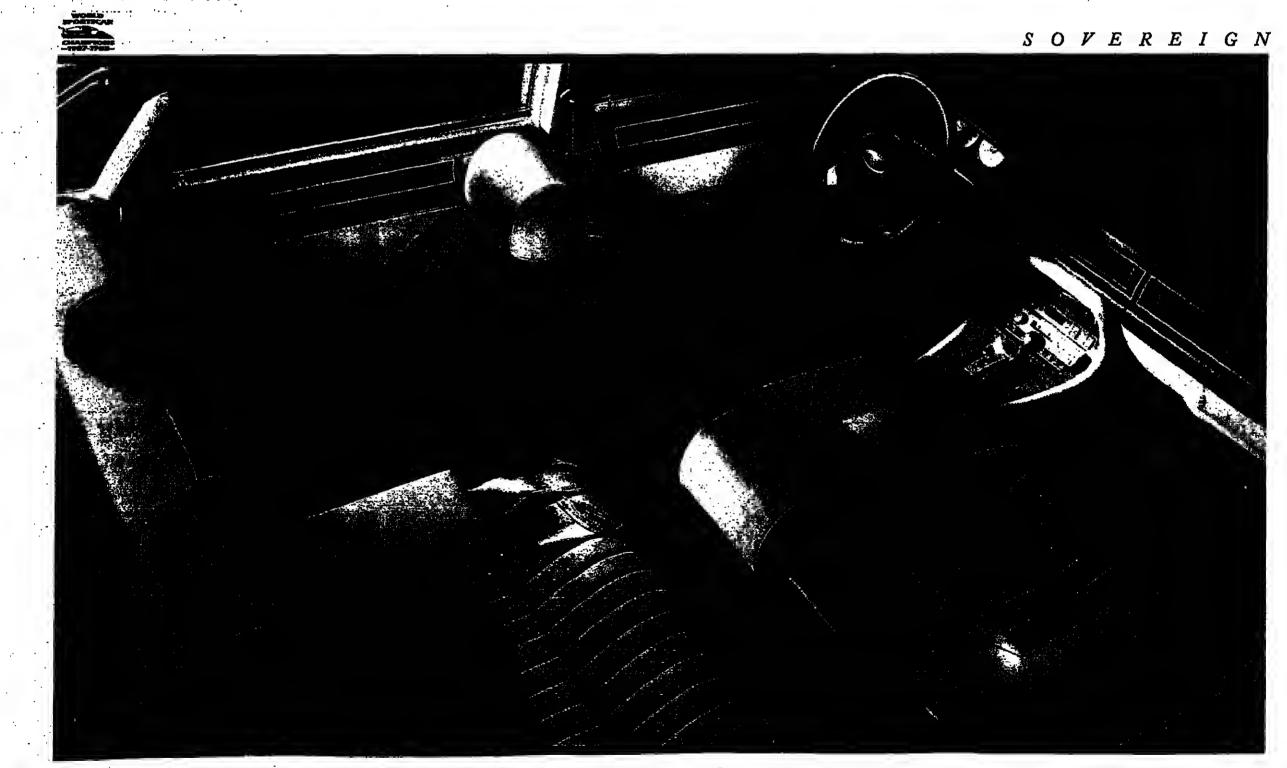
caucus on HDTV added. ema screen than the present ema screen than the present squarish box. Some people say it is still years off, with three standards competing for accep-tance - US, Japanese and European. The Japanese want to move ahead with HDTV, but The lawmakers' comments reflect the influence of a determined lobbying effort by US electronics executives over the past six months. As a result of these efforts, HDTV has become the new focus of the the Americans and the Europedebate over US international

ans advocate an evolutionary approach moving towards betcompetitiveness. "High Definition Television ter pictures in a number of stages. The winners are still uncertain. means significantly more than entry to a lucrative new mar-

"The semiconductor chips that will be required in these sents a unique opportunity for the US to re-enter tha con-

### "Our industry has been dev-astated over the past 20 years by unfair trade practices that ket and it is more than just a new type of television," explains Richard Iverson, Pres-There is growing enthusiasm in Washington for some form of concerted effort to win a have eroded profit margins, ident of the AEA, a 3,500-memmaking it impossible for any place for US companies in the anticipated \$40bn market for ber trade group that has led the campaign. single company to make the investments required to enter this new generation of televi-sion technology. This is based on the belief that HDTV reprethe HDTV market," says a spokesman for Zenith Data

Systems, the sole remaining US-owned television producer, new television products will utilise the same technology as



### ONE OF THE WORLD'S MOST COVETED PERFUMES.

Sitting in a Jaguar for the first time is an experience that's not easily forgotten. As the door is eased shut, the reassuring aroma of fine leather and hand-polished veneer floods your senses.

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and anti-lack braking with your control. Equally advanced is an air conditioning system that controls the degree of humidity, and has a solar sensor that actually adjusts the temperature as the meather changes.

Liketnise, performance is suitably go-ahead. Satin smooth, all the way to a jot under 140 mph "- legal and road conditions permitting, of course. Not surprisingly, few cars can follow the scent. JAGUAR

# Hospitals ready to weigh up options

ST JAMES'S University Hospital at Leeds, in the north of England, the largest bospital in Europe, et present treats 600 children suffering from cancer with ebout 30 new cases join-ing its lists each year. Up to 90 per cent of these young patients come to St James's from outside its Leeds Eastern health district. These figures help to explain

health district. These figures help to explain why, when next week's Gov-ernment review of atate-con-trolled health care is pub-lished, many doctors and hospital managers around the country will scan the index index is pubties, briefly in 1980 and later joined the stockbroker, T.C. Coumbs, which he left to set up He developed some notoriety in Jepan by buying large blocks of warrants in Japanese companies. For example, he acquired a large stake in the world's top bearing manufac-turer, Minebea and played a part in a hostile takeover attempt which failed. eagerly to see whether it con-tains proposals for hospitals to opt out of direct health euthor-ity control. It is likely that it will although the detail of how

In 1985, he was involved in litigation with Tokyo Sanyo Electric Company, claiming that the company had issued misleading facts related to for-Mr Ian Donnachie, general manager of St James's, says eign debt and shareholders Last May in the UK, he was cleared of evading payment of £536,000 Value Added Tax in a case, which he described as a

ance of teaching hospital doc-tors and managers that, because of the specialist facilities they provide, they draw e high proportion of patients from outside their own health districts. The hospitals have to treat a more complex - and consequently more expensive

als make it easier for teaching hospitals to recoup the full cost of such treatment some are likely to be among the first

UNIGATE, one of Britain's Larry Goodman, the Irish biggest home milk delivery entrepreneur, had built a 7.9 groups, is selling nearly haif its liquid milk business to while, earlier this month, business to built a service of the second seco Avonmore Creamerles, an Irish co-operative, informed Unigate that it held e 2.1 per cent stake.

tribution services

20 per cent

Group.

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Dairy Crest, the wholly owned subsidiary of the Milk Market-ing Board, for £126m. As part of the deal Unigate will acquire Dairy Crest's but ter and milk powder creamery at Chard, e business valued in parts of Univert Chard, e business valued at Mr John Clement, Unigate's

**Dairy Crest to** 

milk businesses

buy Unigate

The deal will reduce Uni-gate's share of the liquid milk market - which includes doorstep milk deliveries and sales to supermarkets - from 22.7 per cetit to 12.4 per cent and lift that of Dairy Crest from 6 per cent to 16.3 per cent.

By Lisa Wood

about £28m

Unigate yesterday denied that the deal was a defensive move, although it emphasised that the sale would strengthen

earnings per share. Unigate'e mixed results in the past few years have given rise to some speculation that it may be subject to a bid. In the half year to October 1 the group, which owns the St Ivel and Shape brands, made taxble profits of £43.8m, a rise of per cent on the same period he previous year. It emerged recently that Mr It emerged recently that Mr able profits of £43.8m, a rise of 8 per cent on the same period the previous year.

# The punter who lost on Japan

Stephen Fidler and Norma Cohen look at Terry Ramsden's career

**UK NEWS** 

For those who view the City of London às little more than a casino, the two dominant interests of Mr Terry Ramsden (right) - horse racing and international finance comments and finance - seemed to have a nat-

ural fit. Described in 1986 as one of the leading British recehorse owners with victories in tha Coronation Stakes et Ascot and the Irish 2,000 Guineas to his name, he had almost 80 horses in training. The Racing Post described him as "the biggest punter in the history of the turf and the biggest Brit-

ish-based racehorse owner." Yet according to Jockey Club, last year he disappeared from the register of owners. The word was that he had been chairman and chief executive, said the Dairy Crest deal underlined Unigate's commitment to focusing its operations in growth sectors within its forced to sell his string of horses because of losses suffered during the stock market crash in October 1987. core businesses of food and dis-In the City, Mr Ramsden

The deal will reduce the proportion of Unigate's operating profits attributable to liquid milk from about 30 per cent to who passed his 37th birthday last week - was perhaps best-known for his role in trading Japanese equity warrants; long-term options on Japanese stocks, although he also dealt in the shares of US and British Dairy Crest is acquiring seven processing plants and 89 distribution depots. These busi-nesses will be integrated with Dairy Crest's existing Dairies companie

The attraction to speculators of the market in Japanese aquity warrants, which is denominated in US dollars, is the potential for large move-ments in warrant values when there are smaller movements Dairy Crest was incorporated

**Japanese** equity warrant price index Dec 85=100 700 500 300 corce : Cressuia

of the underlying shares. When stock markets fall, equity wargating the company since las May. According to the Observer newspaper on Sun-day, the newly-established Serious Frand Office has taken over the investigation. A spokesman for the Office, which deals with frauds rants fall even more dramatic ally. Mr Ramsden described himself before the October 1987 stock market crash as "the largest player by a long, long amounting to more than film, would make no comment The Bank of England is also Glen International, Mr Ramsdein's investment com-pany, has posted substantial losses, according its accounts. In these documents, auditor

believed to have asked poten-tial lenders to see if exposure Neville Russell said it could not determiné, because it lacked the necessary informa-tion and explanations, whether Rainsden's dealings with Glen to Mr Ramsden's companies raises any prudential concerns. Mr Ramsden could not be traced for comment and the telephone number of his com-- said to amount to £343m pany, Glen International, was

unobtainable. Assessed at one time as being one of the 100 richest individuals in Britain, Mr

**12 COUNTRIES. 518 EURO MPs. 9 DIFFERENT LANGUAGES.** 

complied with the Companies

and Industry has been investi-

The Department of Trade.

YOU NEED A STRONG VOICE TO MAKE YOURSELF HEARD

to ease debt worries Ramsden operated on the fringe of the City and was widely regarded as an outsider. By Alan Pike, Social Affairs Correspondent The son of a postman, his wealth was self-made. At one time he was director of 22 companies. He started ST JAMES'S University working on the London Stock Suchange in the 1970s in the settlements and clearing area and subsequently traded for-eign stocks, particularly Japa-nese, for a now-defunct stock-

his own business.

particulation.

been Fred Bloggs, we would

not have been in court."

broking firm. He worked for Gresvale, a firm which speci-alizes in equity-related securi-

opting out will work will be all-important.

the high proportion of children from outside Leeds who receive treatment for cancerbased conditions at the hospi-tal is similar in many other specialist areas. And the posi-tion is much the same at many other teaching hospitals. It is a long-standing grievshow trial. "If my name had

- case mix than other hospi-

tak The sense of grievance comes not from having to do the work, but from the belief. that teaching hospitals are not paid adequately for it. Mr Don-nechia calculates that St lames's would receive an extra James's would receive an extra 24m-25m a year if it were prop-erly rewarded for the complex work with children suffering from cancer and major spinal disorders, liver disease treat-ment and other expensive facil-ities which it provides.

If the Government's propos-

candidates to run pilot projects in opting out. We do not yet know how opting out is likely to be set up and would have to look at the fine print before coming to any conclusion," said Mr Donna-chie. "But we do have an accumulating debt problem arising

specialist services to people outside Leeds. We shall have to see whether opting out would help up address this problem." Opted out hospitals would

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remain part of the health ser-vice, but would have greater freedom to raise funds and enter into contracts with health authorities and the pri-vate sector. It is likely that the Government will include in this the freedom to determine staff's pay and conditions outside the current national structure.

Some large hospitals would be equipped to make the tran-sition to opted out status with smon to opped out status with little delay. Guy's, the famous London teaching hospital, for example, has devaloped a self-contained management structure in which medical staff are closely involved in running the hospital. It could soon be cut loose from its health authority ties.

But many points of detail will need to be resolved before hospitals are likely to make hospitals are likely to make decisions in favour of opting out. The specialist work car-ried out at big teaching hospi-tals is by its very nature expensive. Would these bospitals attract all the work they currently undertake if they had to compete for patients under a market system? If they failed to maintain patient num-bers, what implications would this have for their teaching function?

5

Opted out hospitals are among proposals intended to enhance choice within the National Health Service, and introduce elements of true competition.

The nodal point of these pro-posals is the internal market, a concept which has interested members of the Government's health care review for the past 12-months. Such markets could be within or between health authorities, as well as involv-ing the private sector.

Last year the House of Com-mons Social Services Committee examined the potential advantages and disadvantages of an internal market as part of

its own review of the NHS. It concluded that there was a case for experimenting with the idea but warned. If the concept of the internal market is to be taken further, it will require to be very carefully planned, monitored and assessed to ensure that too high a price is not paid for its



In the European Parliament many different opinions are represented.

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from the provision of complex benefits.

## New rail link plan for east of London

By Kevin Brown, Transport Correspondent

A NEW rail link between improved access from east Lon-central London and the Dock-

lands area east of the city will be built if ministers can reach agreement with developers on financing, the Government

Lanus area east or the crry will be built if ministers can reach agreement with developers on financing, the Governmant said yesterday. Mr Paul Channon, Transport Secretary, announced the for-mation of an East London Rail Study group to report by April on the best route for the line. The study, by officials of The study, by officials of London Regional Transport and the Transport Department,

will look at a series of existing options for new lines, includ-ing possible extensions to the Jubilee and Bakerloo Under-ground lines.

It will also take into account proposals expected to be pub-lished later this week in a simi-lar study into central London's rail needs, which is likely to include auggestions for

cost of such a scheme, but was unable to reach agreement with the Government and LRT in time to lodge a private Bill in the present session of Parliament

The most likely scheme to

ment. Mr Channon wants negotia-tions completed in time to lodge a Bill in November, which would allow construc-tion to start in 1991. The Gov-ernment also plans to spend e total of £1.5bn on developing existing access to Docklands.

## **Airport firefighters** to ballot on strike

By Jimmy Burns, Labour Staff

By Jimmy Burns, Labour StaffFIREFIGHTING staff are<br/>incatating a strike over pay<br/>and safety which could immo<br/>bilise airports in England and<br/>Scotiand next month.merly the British Airports<br/>Authority – to end central<br/>wage bargaining as part of its<br/>policy of devolving responsibil-<br/>to its individual operating<br/>and Prestwick, said it will<br/>organise a ballot on industrial<br/>ection this weekend, with<br/>results expected in 10 days.merly the British Airports<br/>Authority – to end central<br/>wage bargaining as part of its<br/>policy of devolving responsibil-<br/>to its individual operating<br/>to its individual

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almost immediately.

pay... We believe that an emergency service is best pro-vided on a national basis." Mr Mike King, managing director of the BAA's airport division, said: "Wa cannot make an exception for 80 peo-ple out of a total workforce of nearly 8,000 ... but rest assured that our standards of safety are paramount and will

The fire officers are opposing safety are paramount and will the decision by the BAA - for- not be compromised."

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# PCs await judgement in hire purchase case

## Addressing the jury, Mr. Creighton-Reed QC asked them to ponder the motives.

"In hiring, my client was admittedly motivated by financial gain - and knew full well that he could release valuable capital.

This, however, was but one reason for his actions.

On many occasions, he

Stubbs: "Hired the hardware."

hired in order to accommodate periodic overloads and on others, to evaluate new equipment.

Earlier this year, he drafted an entire vanload of PCs and ancillaries into a major exhibition - from which immense gain accrued to his Godfather, the chairman.

Stubbs claims that the ability to hire – at very short notice, and for any term from one day upwards provides him with fixed costs, allows him to honour ... departmental budgets, and permits total flexibility.



Smythe: "Believed he could buy anyone, anything."

Should he take the former course, will he not, from time-to-time, wish that this fine equipment was his own? Will not the phrase 'good money after bad' be evoked in his mind?

And should his chosen supplier be noted for its totality of service, will Smythe not draw comfort from knowing that most, if not all, of his resources are his own - to dispose of as he will?

Members of the Jury; while conceding that, from time-to-time, there may be just cause to hire, purchase is, on occasions, the solution of an honourable man.

Mr. Hamilton QC made a final address that was no less impassioned.

"Learned Counsel refers you to the motives for hiring - and his points are well taken.

Nevertheless, possession is 9 points of the law so why should a man hire, when he may legitimately purchase?

(Indeed when, as referred to, he had to leave the country at short notice, he hired a lap-top for the purpose.)

Members of the Jury; there are as many cogent reasons for hiring micro computer equipment as there are ways in which a company can make more, while spending less.

In this, the last quarter of the Twentieth Century, it is, I submit, no crime to exploit them."

I rest my case for the defence of purchase."

As Mr. Hamilton sat down, the judge raised a quizzical eyebrow.

In the public gallery, a computer salesman grinned broadly.

And from the dock came a clearly audible whisper of "prevaricating old twit!"

## Summing up, Mr Justice Harbottle told the jury that this was a finely balanced argument.

"On balance, therefore, I must direct you to the only source of truly unbiased judgement, to a place offering both options with equal discretion - a place, moreover, in which hire may, at any time, be cost-effectively converted to purchase.

A place, above all, in which every aspect of delivery, service, training and back-up will be executed with the utmost expediency.

Capital, capital. The court will now adjourn for luncheon."

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## **UK NEWS**

### Appeal Court explains decision to reject House of Fraser ruling **British** life Lonrho claim 'without valid grounds' groups 'lead in response

By Raymond Hughes, Law Courts Correspondent

cation of the report now would THE COURT of Appeal said yesterday that it had no hesita-tion in holding that Lonrho, the international conglomer-ate, had no valid grounds for challenging decisions made by Lord Young, the Trade and Industry Secretary, concerning the 1985 acquisition of House of Fraser, the Harrods stores

group, by the Al Fayed brothers. The court was giving its reasons for overturning last Fri-day High Court rulings that Lord Young must refer the acquisition to the Monopolies and Mergers Commission and reconsider his decision to defer publication of his inspectors' report into the acquisition while the Serious Fraud Office is deciding if it gives grounds for prosecution.

Lonrho is to appeal to the House of Lords and Lord Young has complied with the appeal court's holding order that he make a conditional reference to the MMC to keep the door open to Lonrho, pending final ruling by Law Lords.

and underwriting. Mr Daykin said that almost The statutory period for a monopolies reference expired on Sunday.

Lord Justice Dillon said that Lord Young was said to have decided he had no discretion to publish his inspectors' report until he received clearance from the SFO and the Director of Public Prosecutions.

The SFO and the DPP, which were conducting their own investigations, had said publi-

be likely to prejudice their investigations, and a fair trial if prosecutions resulted. Lord Justice Dillon said that the question was not whether the SFO's and DPP's views were right or wrong, but whether they were so plainly wrong that no reasonable Sec-

be uncovered and punished, but it would not necessarily follow that the creation of the merger situation did operate, or might be expected to oper-ate, against the public inter-est." retary of State could have relied on them. "Plainly that is not so," the

judge said. He said that the interest in the early publication of the inspectors' report went well beyond "the natural desire" of Lonrho and Mr "Tiny" Row-land, Lonrho's chief executive, "to say loud and clear 1 told you so" if the report indicated that the inspectors had held major allegations by Lonrho against the Al Fayeds to be

true. There is a public interest that people in financial circles-should know whether or not the principal shareholders who control a company as important as Fraser are fraudulent

est in knowing how the then Secretary of State" (Ar Nor-man Tebbit) "came to be deceived in 1985, if that was what happened, so that people can see if steps can be taken if

Young had a duty to refer, but the Act did not say that. He was bound to take into the Fair Trading Act criterion for a possible monopolies refer-

account recommendations made to him by the Director General of Fair Trading and by the MMC; he was not bound to follow them ence was whether the merger operated or might be expected to operate against the public The mere fact that there follow them. The minister had a very

was fraud in the course of a merger might require in the public interest that the fraud wide discretion whether or not to refer. Also, "it cannot be for the MMC to decide Government policy on political mat-ters. That must be for the Sec-

ters. That must be for the sec-retary of State." Lord Justice Dillon said he could not see why Lord Young should not be able to form his own view, on his inspectors' report, that a merger situation had not operated, or was not to be constant in operate, against be expected to operate, against the public interest in any respect which would warrant the exercise of any

tion the conclusion that Lonrho has not made out a case unscrambling" powers in the that no reasonable Secretary of State could have refused to make a reference to the MMC." Early in his judgment Lord

Act. The judge said that although the courts had recommended a "cards on the table" approach in judicial review proceedings, that could not have been intended to compel the Secre-tary of State to disclose the contents of his inspectors' report. Sarty in his Jonghein Adu Justice Dillon noted that House of Fraser asserted that the DTI inspectors had exceeded their remit, that they report.

that if their report were pub-lished it would not be covered if Lord Young was not under a duty to refer he was entitled to conclude that "a reference is not appropriate because the unscrambling procedures are by privilege in any defamation

proceedings. Lord Justice Dillon com-mented: "We apprehend that such sabre-rathing would not not the best answer. "What procedures are appropriate in a particular case must be a matter for the Secretary of

cluded: "I reach without besita-

deter the Secretary of State from doing his duty." Lord Justice Mustill and Lord Justice Stocker delivered Lord Justice Dillon conconcurring judgments.

had not conducted their inves-tigation fairly or properly, and

"Tiny" Rowland

There could be cases where prosecution was required but the FTA did not apply. He concluded from the wording of the Act that all decisions were to be made by the Secretary of State. "That is what I would expect in a field as politically charged and as important to the econ-omy of the country as that of mergers of a size that would

interest.

qualify for reference to the MMC." The MMC came in in two ways, the judge said: it had to investigate and report when called upon to do so by the Trade Secretary, who could not

rogues. There is also a public intererencise certain powers under the Act - such as ordering dis-

investment if a merger were held to be against the public interest - without a report from the MMC. Lord Justice Dillon said it possible to prevent the same thing happening again." Lord Justice Dillon said that had been argued that Lord

Car output rises further on buoyant home demand

### By Kevin Done, Motor Industry Correspondent

THE RECOVERY in UK car the Department of Trade and production strengthened last Industry. production strengthened last year with a rise of 7.4 per cent to 1.23m, the highest lsvel since 1977, although still well below the peak of 1.92m reached in 1972. In the car market Peugeot of

France moved from single to double shift working during 1988 and increased output from 46,341 cars in 1987 to 77,642. It increased exports of cars from 6,132 in 1967 to 24,836. Car production, boosted by record domestic demand in

Nissan began small-scale assembly at Sunderland with the production of 5,000 cars in 1986 and raised output last 1968, was also helped by rising production at Nissan's 2610m car plant in north east England and by a virtual doubling at Pengeot's Coventry assembly year to 56,000 from 29,000 in 1987. For UK production statistics Nissan cars have been

UK commercial vehicle prolimits. UK life companies, however, still only seek anto-matic HIV blood tests in men for cover of at least £150,000. duction rose 29.3 per cent to 318,677, the highest since 1980, from 246,728 in 1987, according local content exceeds 50 per cent. Jaguar raised output by 8

British Coal seeks 1,300 more job cuts in England, Wales

State

### By Maurice Samuelson

BRITISH COAL said yesterday it wanted 1,300 more redundancies in pits throughout northwest England, North Wales 1,600.

and the Midlands. They are part of a rationalis-ation drive to cut by 20,000 the number of underground work-ers from the present 80,000 by the end of the next financial

year. The Corporation wants to avoid compulsory redundan-cies and hopes to meet the latest cuts with the inducement of enhanced severance payments over the next few months

near Leigh. ....In Staffordshire, more than British Coal's office at Stoke 40 per cent of the 600 miners at Holditch, near Newcastle in the Midlands said that more than 1,100 Job cuts were being sought among the 7,735 miners Under Lyme, indicated they

Workers at the 650-man Cynsurviving Lancashire collieries. heidre anthracite mine recently voted to fight a man-A further 250 redundancies are being sought at the large Shireagement closure plan through the independent colliery brook colliery in the Midlands, which employs more than review procedure. But the workforce has changed its mind and voted decisively Most of British Coal's hard-core loss-making capacity has been eliminated and the

against doing so. The about-turn came after British Coal shelved plans to develop a drift mine at nearby Carway Fawr which would have promised continued employment once Cynheidre's economic reserves had been exhausted.

Miners at Bilston Glen, which employs more than 1,200, have agreed to accept up to 400 job losses as part of a management bid to prevent outright closure.

Not all miners are prepared

THE LOSS of the British the merchant navy officers' freighter Derbyshire, which sank with all hands in a Pacific union, which spent nearly seven years campaigning for an inquiry after the Derbyshire typhoon, was almost certainly sank with all 42 crew and two officers' wives in 1980.

not caused by a structural fault, a public inquiry reported yesterday. Mr Gerald Darling, the Wreck Commissioner, said the The inquiry was ordered by Mr Paul Channon, the Trans-port Secretary, after the Kowship had been properly designed and built, and that loon Bridge, a Hong-Kong reg-istered sister ship of the Derbyshire, broke up off the the possibility that it sank as a coast of Ireland result of hull weakness was

toral faults

extremely low. The inquiry report leaves the son for the ship's loss in doubt but says a number of possible causes cannot be ruled out. The report was described as "disappointing" by Numast,

have responded more strongly have responded more strongly to threats posed by AIDS (Acquired Immune Deficiency Synhrome) than those in most other countries, a senior offiits; and the exposure of the its; and the exposure of the banks was not excessive. "At this stage," he said, "I do not think UK banks are involved on a scale that warrants spe-cial supervisory treatment; though this would need to be considered if there were evi-dence that the quality of bank assets was deteriorating as a consequence of leveraged cial in the Government Actu-ary's Department said yester-Mr Chris Daykin, Chairman of the Institute of Actuaries' working party on AIDS and directing actuary at the Gov-ernment Actuary's Depart-ment, was speaking in a dis-cussion on AIDS last night at the institute in London. consequence of leveraged transactions."

many see as one of the racier trends in finaoce was given last night hy Mr Robin Leigh-Pemberton, Governor of the Bank, in a speech to Scottish While there had been a noticeable increase in the gear He said: "I would be coning of UK companies in recent cerned if the development of the leveraged hny-out (LBO) market here were to result in a years which carried its dan-gers, Mr Leigh-Pemberton also went out of his way to point up the benefits of leveraged buy-outs in certain situations. I profusion of unsustainable financial arrangements. But there is no reason why this would certainly not wish to should happen provided the banks and other lenders con-tinue to make sound and prusuggest that present activity here is undesirable. For many businesses management buydent assessments of each propouts have been a useful source of new energy and direction." osition, and do not throw caution to the wind in the pur-The Governor's expressed

suit of fashion and fee view goes some way to explain the tolerant view taken by the UK authorities of highly lever-aged bids and deals. Only one, the bid by Goodman Fielder for Ranks Hovis Macdougail, the foode group was was a formed to income." Mr Leigh-Pemberton's remarks were the first public judgment by the Bank of the LBO phenomenon which has swept the US in recent years However, he said the prac-tice had been slower to catch

on in the UK for reasons to do with tax and institutional hab-

and the second second

**Bank 'watching** 

but not worried'

buy-out trend,

By David Lascelles, Banking Editor

THE BANK of England is

watching closely the growth of highly leveraged financial transactions and the exposure

of UK banks to them. It sees no reason to be unduly worried at

the moment, however. This relaxed view of what

banker

Structural fault 'unlikely' in loss of merchant ship

### By Kevin Brown, Transport Correspondent

## Mr Daykin said that almost all life company actuaries had reacted strongly to the report. Premium rates had been sub-stantially increased during 1988 and actuaries had made specific provision for future AIDS death claims in their lia-hility valuations for 1987. All life companies have also changed permanent health foods group, was referred to the Monopolies and Mergers Commission on the grounds of its financing arrangements

All life companies have also changed permanent health (long-term disability) insur-ance contracts hy excluding from cover anyone giving a positive test for HIV, the pre-AIDS virus. The life industry in most other countries has done little to change preserves to change prentiums, reserves or policy conditions, even though there is a significantly

to AIDS'

**UK LIFE** assurance companies

day. Mr Chris Daykin, chairman

The working party has pro-duced estimates of the likely

numbers of AIDS deaths on

various assumptions and made eeveral recommendations based on those mortality fig-ures for premiums, reserves,

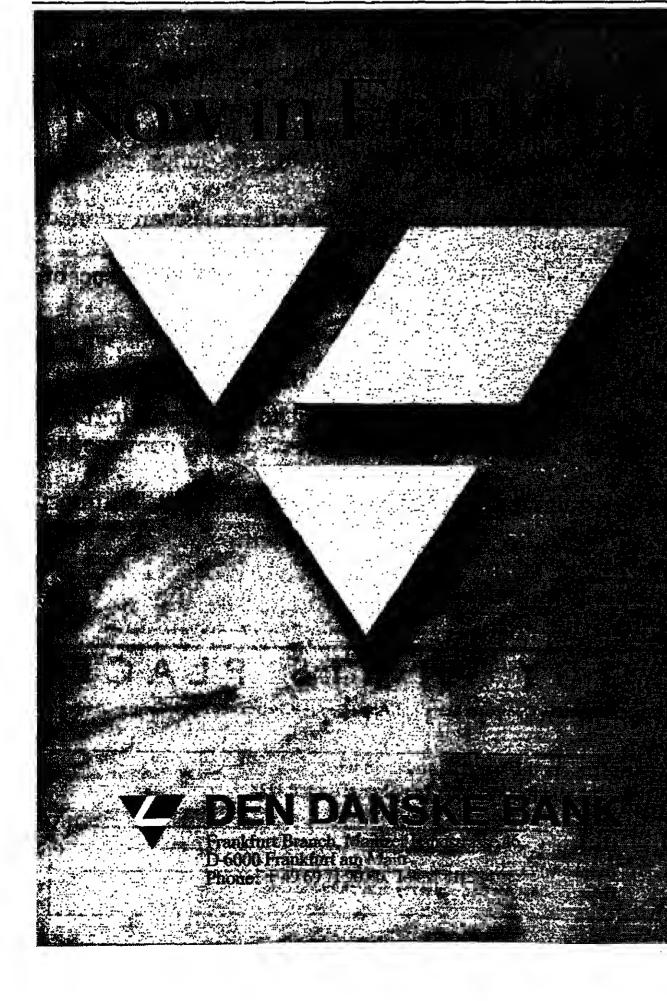
life insurance policy designs

By Eric Short

higher prevalence of reported AIDS cases than in the UK. However, Mr Daykin con-ceded that the life assurance industry in these countries had moved faster than UK life companies in tightening

underwriting procedures. The working party recom-mended automatic blood test-ing on all people seeking life assurance for death cover of at least 550,000.

Life companies in the US and many European countries, operate blood testing on all Bat Mr Darling's report effectively dismisses claims made during the 46-day long inquiry that all six ships of the Derbyshire's class might have contracts for similar cover suffered from similar struc-



## report fall in London house prices

regarded as UK output since

per cent to 51,939.

Surveyors

By Andrew Taylor, Construction Correspondent

HOUSE prices in parts of London have fallen by up to 5 per cent in real terms since autumn, says a house price survey published today by the Royal Institution of Chartered Surveyors. The institution, which inter-

viewed 188 estate agents in England and Wales, said a lack England and Wales, said a lack of first time buyers had left the housing market bogged down, though inquiries from poten-tial house purchasers had picked up since the New Year. The survey said prices were continuing to rise in northern England but more slowly than providedly

reviously. "Potential first time buyers, cantious of current mortgage rates are steering clear of the housing market," said the institution.

institution. It said that first time buyers held the key to breaking hous-ing chains. They would not return until Mr Nigel Lawson, the Chancellor of the Exche-quer, had made clear the pros-pects for future mortgage inter-est rates. More than a sixth of scents

est rates. More than a sixth of agents nationally seld that prices had fallen during the three months to the end of December. Fifty five per cent said prices had remained static. One agent in the west Lon-don suburb of Ealing said that enquiries from would-be pur-chasers had haived in the three months to the end of Decem-ber. Another agent, from Southgate in Middleser, said that prices had fallen by 5 per cent in real terms since the end of September. Mr Len Norris of Folkard &

Har Len Norris of Folkard & Hayward of Islington said: "There has been a dramatic fall in activity. Prices of good quality homes have been static while everything else has fallen."

There had been an increase in inquiries since the New Year but not enough to encour-Year but not enough to encour-age higher prices. The national survey showed that price increases in regions like the East Midlands, which previ-ously had been rising sharply, had slowed considerably following higher interest rates last autumn

An agent from Grantham in Lincolnshire said: "The market has levelled off in the past few months with many buyers awaiting the New Year and any changes that may occur with the mortgage rate."\_\_\_\_\_ employed in nine pits in North Staffordshire, Lancashire and North Wales, which make up the Corporation's North West Group. Of these job cuts, some 612 redundancies are being sought in the four Staffordshire pits and another 523 in the four

would accept voluntary redun-dancy when polled by management late last year, the Corpoto go without a fight. The 720 ration said. Miners in South Wales and

Corporation says that the balk

of the latest cuts are simed at improving the collieries' sur-

vival prospects. However, 300 of the redundancies apparently

presuppose the closure of Gol-bourne colliery, part of the three-pit Bickershaw complex,

miners at Marine colliery in South Wales, which the Corpo-Scotland have demonstrated ration also wants to close, are to challenge the move and have not yet changed their that they are prepared to take cy in recent pithead

Welsh businesses in European link-up

### By Anthony Moreton, Weish Correspondent

redunda ballots.

THE WELSH Development Agency is to set up a match-making service to link companies with those in continental Europe as part of its drive to make businesses more aware of the 1992 single market.

The intention is to help Welsh companies to find suitable business partners in the rest of Europe through the use of a computer database. help

Mr Gwyn Jones, chairman of the WDA, said the agency would act as a "source of infor-mation, a conduit. Then it is up to individual businesses to make the contacts."

The match-making service is one of a number of initiatives the agency will be taking to ensure Welsh companies are fully prepared for 1992. A series of workshops, begin-

ning with the food and drink industry, is to be held in the spring to bring home the impli-cations of the opening of the market.

Other sectors will follow sub-sequently and there will be a series of seminars on specific subjects. An information ser-vice is to be set up detailing aspects of European business and activity.

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## **MANAGEMENT:** The Growing Business

## Personnel issues A nightmare which must be confronted

### By Charles Batchelor

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hen Mike Oakey became managing director of Stewart-Warner Instruments, the company was making losses, relations between managament and the 100strong workforce were poor and the coffee machine, Oakey

and the coffee machine, Oakey estimates, was 15 years old. Just over a year on and the Letchworth. Hertfordshire-based manufacturer of speed-ometers and tachographs is "reasonably profitable." Senior management has been given a shake-up, a major effort has been made to improve commu-nications with the workforce and a new coffee machine has been installed. been installed

While much of the improvement in the company's perfor-mance has been due to measures such as the introduction of tougher financial controls (Stewart-Warner's US parent was taken over by BTR, the British conglomerate, a week after Oakey arrived), Oakey says the introduction of sensi-ble personnel policies has also played a considerable part.

Oakey called in a consul-tancy he had used at a previ-ous employer to review wage levels and create a rational sal-ary structure throughout the company. He revived the sys-tem of monthly mode compiltem of monthly works commit-tee meetings where workforce issues like the coffee machine and the need for lighting in the car park are dealt with.

"When I cape there would be ten or 12 thems on the works committee meeting agenda whereas this month there are only three," aays Oakey. "When I say we will take action or coverthing then we action on something then we do it. As long as the proposal is sensible we react as quickly as we can.

But Oakey'a review of per-sonnel policies has had to go further than this. Administration of matters such as contracts of employment and personnel records was "fairly messy" and has had to be tidied up. The company's health and safety booklets have been reviewed and re-edited and a procedure for handling grievances introduced.

alone in having problems with alone in having problems with its personnel policies. The owner/manager of the smaller company, whether it is an independent group or part of a larger organisation, often puts personnel matters way down his list of priorities. "Managers will spend hours poring over a proposal to invest £10,000 in a machine which will last three or four years but they spend less time

which will last three or four years but they spend less time thinking about employing peo-ple who will cost them much more and who could stay with the company for 10 or 20 years," says Chris Jones, a principal industrial relations officer at the Advisory Concili-ation and Arbitration Service.

ation and Arbitration Service. Part of the problem is the complexity of legislation cover-ing employment issues - at least aix different Acts of Parliament cover issues such as equal pay, sex and race dis-crimination, and employment protection - and also the mounds of detailed paperwork. "The people who run small es are not administrabusiness

tors, they are engineers or designers," says Peter Moon, the consultant who advised Oakey. "When they have to deal with paperwork they don't understand they push it to the back of their desk."

Dealing with the mass of administration that comes with handling PAYE, drawing up contracts of employment and laying down disciplinary and grievance procedures comes as a shock for the very comes as a shock for the very small company and many do not expand beyond employing family members for this rea-son. "Getting involved in this for the first time for an employee is a nightmare," comments Stan Mendham, chief executive of the Forum of Private Business, which has 12,500 small business members. But it is a nightmare which small companies will have to confront in future as they batthe against each other and their larger rivals for the dwindling number of new workers who will come on to the market in the 1990s as lower birth rates start to have an impact,

The main problem for the Stewart-Warner was not owner/manager of a growing

- PETOTE OF STRAES AND THE AND BUSINESS OPPORTUNITIES

company lies in recognising that the management style he adopted for dealing with his workforce in the early stages may no longer be appropriate. Close personal ties between the small business owner and his staff are an advantage in the early stages since both are strongly committed to the company's success. But as the company grows, these ties can stand in the way of proper personnel management. "When a company has fewer

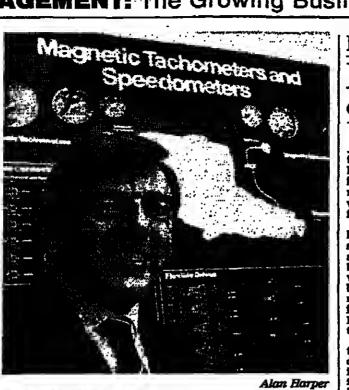
than 50 people the boss knows everyone," says ACAS'a Jones. "Most companies of that size are not unionised and the company is like a family. But once the company grows to 150-200 employees the boss can't cope, people are treated inconsis-tently and jealousies develop. The employees may say they want a union and the boss wonders what has happened to the happy family."

Becanse relationships between the boss and his staff are so close in the smaller company matters of discipline are often avoided until they become too obvious to ignore and the issue blows up.

Mike Barraclough, an indus-trial consultant, cites the case of a retailer who suspected that one of his three employees was taking money from the till but was unable to discover which one. Finally, the exas-perated shopkeeper sacked all three for suspected theft, giving them no opportunity to deny the charge or explain their actions.

ing to crises that the growing company must have a well thought-out policy towards its employees. Sound personnel policies should permeate every aspect of the business.

Recruitment must be organ-ised so as to attract the right staff in the first place. Growing companies can ill afford the cost of finding and training staff who subsequently turn



Nike Onkey: reacting quickly if the proposal is sensible

oot to be unsatisfactory. "Small companies don't have large budgets for recruitment," says Moon. "They will put small, grubby adverts in the newspaper and bope to get high quality people." To keep people ooce they have been taken on companies

must have a properly designed salary structure which reflects both the rates competitors pay and the role of the individual within the organisation.

"When you have got 150 peo-ple you cannot just pay them on the basis of anpply and demand," says Peter Barnett, bead of Barnett Consulting Group. "You can't do salary planning or work out what your payroll will be next year unless you grade your staff." Hamilton Insurance, a

Bracknell, Berkshire-based company which now has 55 . staff, decided it needed a more formal method of evaluating jobs and salaries 18 months ago when it employed 40 peo-

"At that time job evaluation consisted of my saying 'I think this job is grade so and so," says Andrew Ferguson, finance director. "I used a system I had learned at my previoua employer. But if anyone qoeried my evaluation it was difficuit for me to explain the rea-sons for my decision." He called in Barnett to devise a more objective evaluation

scheme. As the scope of personnel work grows it hecomes too

much for a hard-pressed managing or finance director to do alongside his other tasks. Hamilton Insurance decided that its 55 employees needed the services of a personnel manager. "She takes the burden off our

"She takes the burden of our shoulders and, because she specialises in this area, per-forms the job to a much higher standard," says Ferguson. Opinion differs on the size at

which a growing company needs a full-time personnel specialist but most estimates range between 100 and 250 employees. "When you get to 150 people and your turnover is Som or more the people ques-tion starts to become quite a big one," says Barnett. "Then you need a person on your pay-roll to deal with it."

Bnt, whether a company decides it oeeds its own full-time specialist or retains a

consultant to advise, the important thing is that it is aware of the personnel issue. "A company may be making mocey but it is building on shallow foundations if it hasn't got the people side right," warns ACAS's Chris Jones.

Sometimes something as simple as an efficient collee machine needs to be part of those foundations.

USEFUL READING. Employing People, The ACAS handbook for small firms. Free from ACAS regional offices, Hiring and Firing, Employing and Managing People by Raren Lanz, Netweet Small Business Buolesneth Pil-man, ESS, For nemest of local consultants contect the Institute of Personnel Manage-ment. Free House, 35 Camp Road, London SW19 40W, Tel 01-046 9100.

### Private investors

## Not just a wing and a prayer

Charles Batchelor explores the role of "angels"

ow does the smaller company raise finance when its banker and the venture capital industry have both said no? Increasingly, in Britain, small busi-nesses are turning to the private investor as a source of

finance. Six small business owners last week made their pitch to some 30 would-be investors ot a meeting in London arranged by the Local Investment Networking Company (LINC), a business introduction service run by 13 enterprise agencies from around the country. In London meetings are held at the London Enterprise Agency. Dennis Foster outlines plans to expand Paper Tec (UK), his document shredding business, if he could raise a further 250.000. Foster took out an import licence for a range of West German-made shredders after epending several years selling copiers and then branched out with his own lorry-mounted shredder which travels from office to office in the City destroying sensitive

documents for his customers. Stephen Clark, an accountant, wants £70,000 to expand the mail order business he has developed selling public address systems and video and audio equipment to Britain's 50,000 churches. Some of the so,000 chirches. Some of the money will also go to help Tri-amph Communications open up the market for an induction loop system, used by the hard of bearing, which it has developed.

Alum Bati, a barrister, is more ambitious in his plans and wants £500,000 to open a and wants £500,000 to open a chain of five up-market shops selling homeopathic and vita-min products under the Cura-tif label. LINC usually limits funding requests to £150,000 to avoid competing with the ven-ture capital funds but in this case Bati could get a pilot shop going with just £100,000-£150,000. The other three businesses

The other three businesses which are presented are a supplier of micro-computer systems, a lingerie mail order business operating on the Interflora principle, and a company marketing an ingenious device which would allow housebolders with no conventional garage space to lower their car on a hydraulic ramp into an underground chamber in their front garden.

All six businesspeople at the meeting make their 20 minute mail order service, has none of presentations and then take questions from the audience. The investors, mostly men, have either retired with a golden handshake; have sold their hosloesses ood are looking for an alternative investment; or have highly paid jobs which have allowed them to save enough to back a

venture of this sort. Some want merely to be passive investors while others want to play a part-time or full-time role at the company in which they invest, explains David Wood, LINC's general manager. Unlike convectional

The investors have either retired with a golden handshake; have sold their businesses and are looking for an alternative investment; or have saved enough to back a venture

providers of finance, the private investor will often take a longer term view of his invest-ment, will not demand high fees to provide the finaoce and, unlike the banks, will not

regoire the businessman to sign over his home and business as security. Paper Tec's Deunis Foster says afterwards thet be was disappointed with his presentation because be found it dif-ficult to gauge his andience. But six of the investors have given him their business cards and he has handed out two copies of his detailed husiness plan and promised two other

plan and promised two other people he will send one on later. Stephen Clark, who is a lay preacher as well as a husiness-man, has a polished, confideot manner and backs up his talk with a video made in his com-pany's own workshops. He is questioned, though, on how he intends to huild a nationwide installation network for his installation network for his equipment.

equipment. In fact, says David Wood, investors appear not to let themselves be infinenced by the quality of the presenta-tion. David Rome, who has had only a few days to prepare his talk about Knickerline, the

### the visual aids which the others have brought along but three investors say they are interested. The questioning of the prodonhitess the investors get tougher as they get closer to taking a decision on whether

or not to pat their money io -but Alum Bati's plans for Cur-atif provoke some disbelief. Some of the audience are scep-tical that be could get the prime sites for the stores he wants for the money he has budgeted.

9

budgeted. Bati says he had previously approached half a dozen veo-ture capital organisations for funds but was told they had no money left to fioance start-nps. One venture capital group is still interested, though, but wants Curatif first to flud a managing director. At present managing director. At present Bati is chairman in his spare time while the other directors all come from the design agency which basdrawn up plans for the shops. David Rome bas been in

touch with veoture capitalists and has also tried writing to a number of successful entrepreneurs to see if they will back the business; bot nothiog has yet resulted from these moves. David Lane of LINC says that on average two of the six husinesses which are pres-ented raise finance from the private investors. Sometimes thoogb none is soccessful while one previous meeting prodoced backing for four of the businesses. Depending on how popular the business is it may take anything between 10 days and four mooths for the deal to be agreed between the

investor and the company. Raising busicess ficance from private individuals is still in its infancy in Britain though in the US "hosiness angels" are estimated to have twice as moch money avail-able to invest as the profes-sional venture capital indus-try. With the venture capitalists in the UK unwilling to provide smaller amounis of capital and the banks unable to provide equity finance the

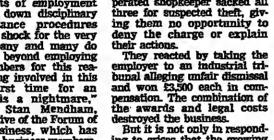
private investor could have a

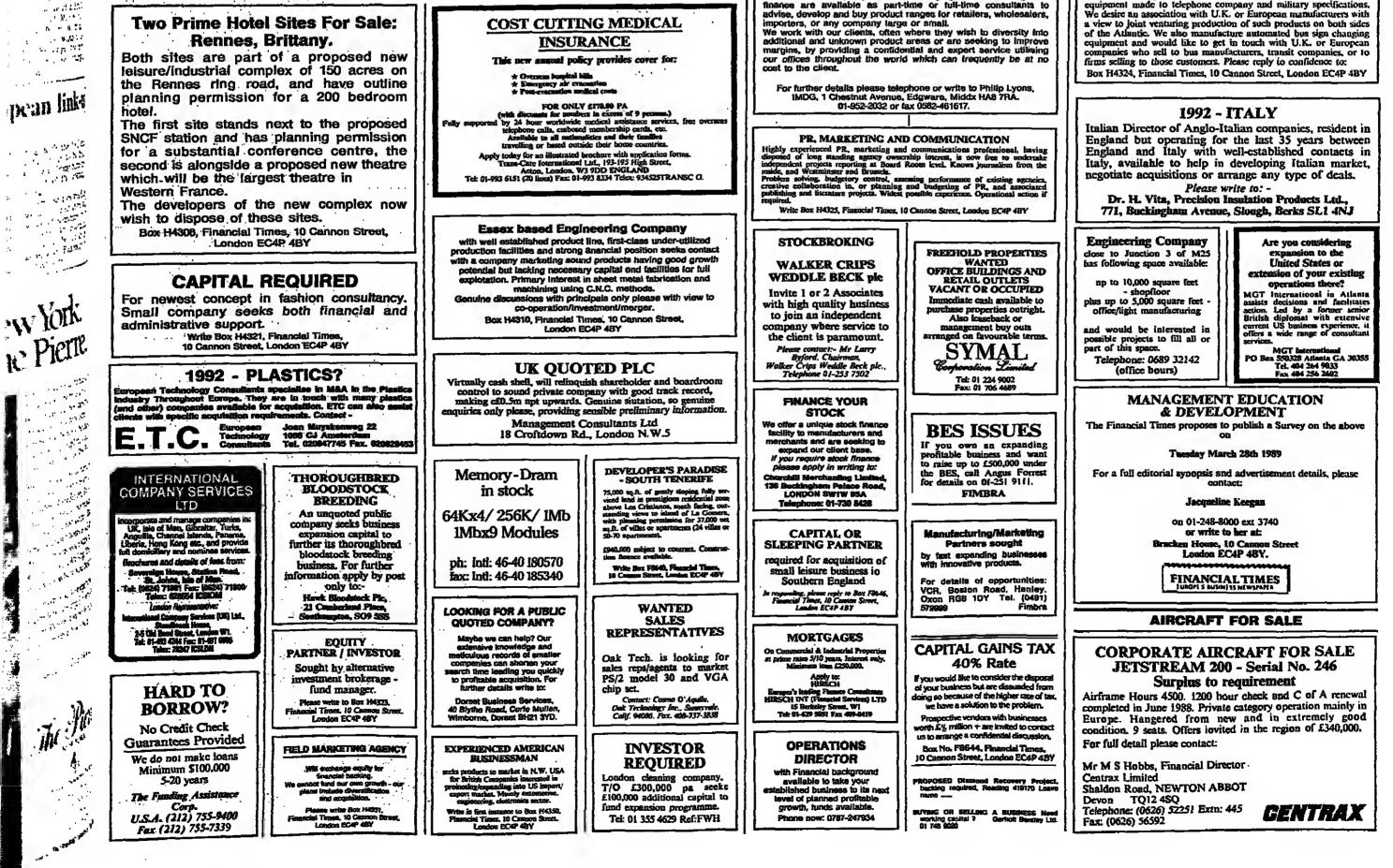
Contact LINC of London Enterprise Agency, 4 Snow Hill, London ECIA 2BS (Tel 01-236 3000) or through local enterprise

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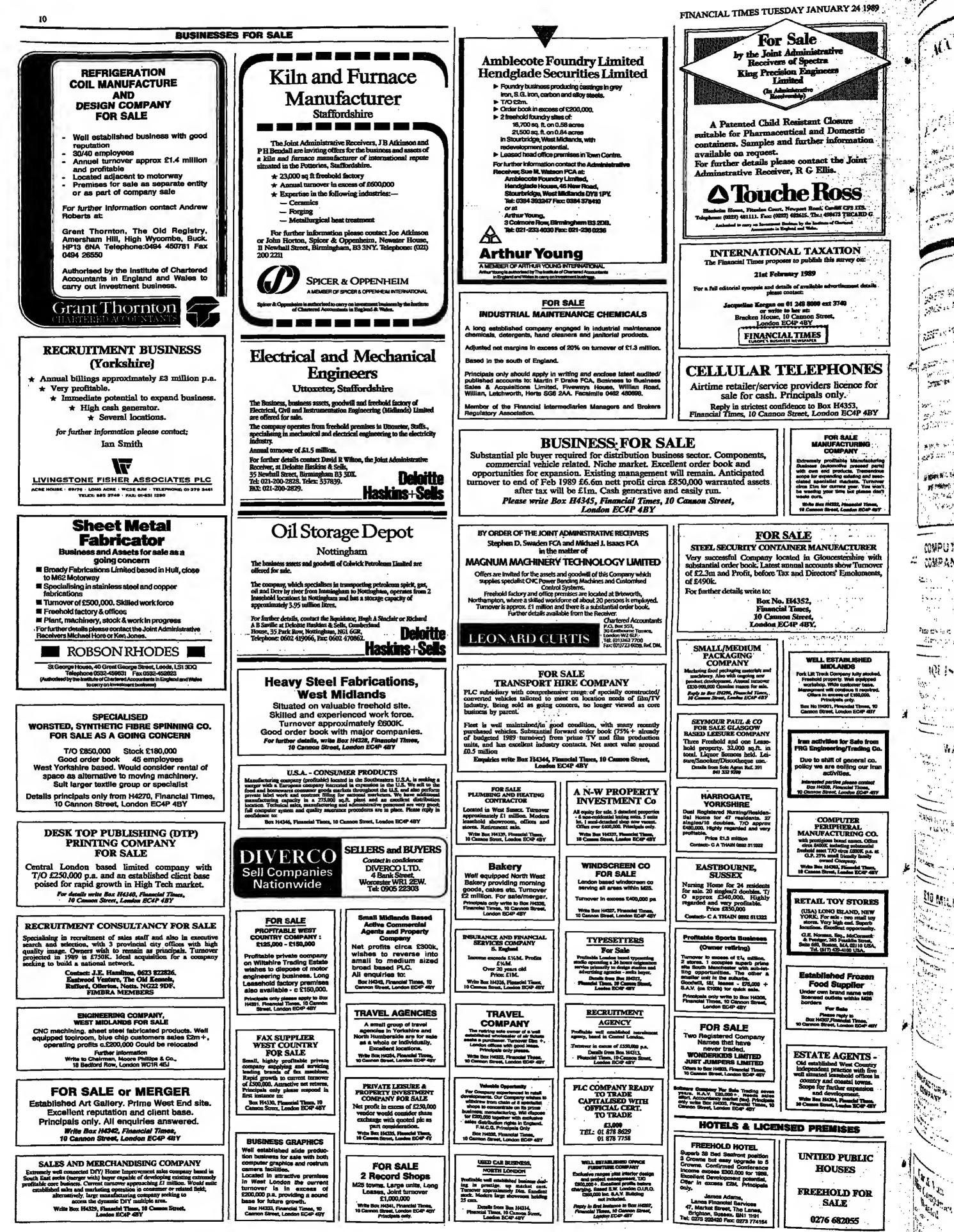
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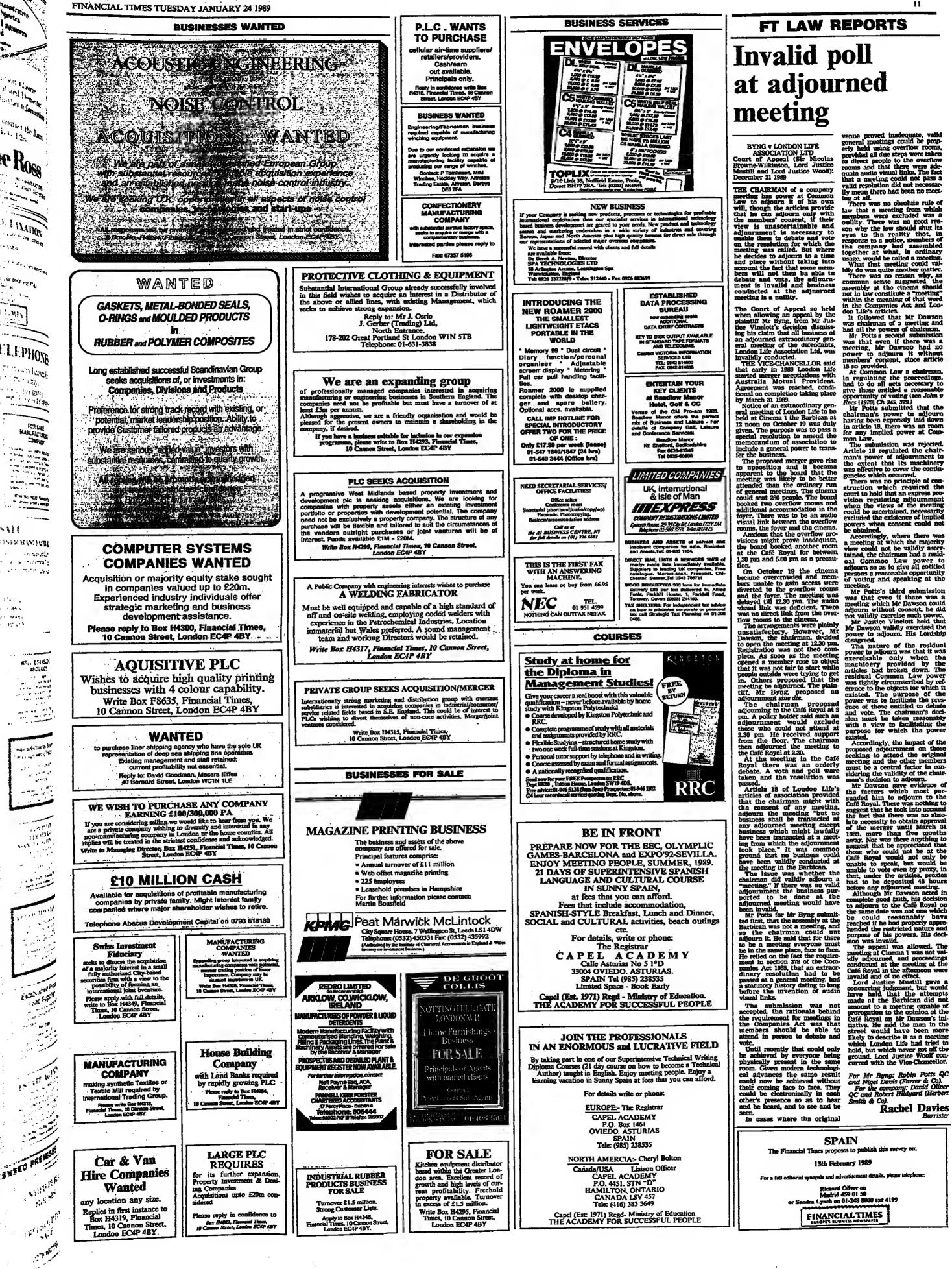
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ith an increasing number of businesses relying on battery technology to power such indispens-able tools as portable comput-ers, radio-pagers and mobile telephones, the limited life of battery cells has become more than an inconvenience. The news from the world's

12

battery manufacturers, which produce \$6bn of consumer batteries e year, is that develop-ments are under way to introduce a lighter, more powerful all-purpose battery in the 1990s. It will be based on lithium, a metal already used in some specialist batteries. In the meantime, developments in longer life and rechargeable batteries, particularly for cord-less domestic equipment, are making life easier for con-sumer and businessman alike.

Battery cells are built around an anode (a metal), e cathode (usually a metal oxide) and an electrolyte (usually a water-based liquid). When the battery is in use, oxygen moves from the cathode to the anode and as the anode is oxidised it gives off electrons - the electric current.

There are two types of bai-tery: primary, which is used only once, and rechargeable. The main primary ones are: •zinc carbon, the older type of

consumer battery; •alkaline, similar to zinc carbon but longer lasting; • silver oxide and silver alkaline, button cells used to power

 Calculators or watches;
 Olithinm, which is increasingly replacing the silver battery in cameras and remote control units for televisions; •zinc air, e button cell in which a zinc anode reacts with oxygen from the air. It incorporates a membrane with holes big enough to allow the oxygen to pass through, but too small to allow the electrolyte to leak out. It is most efficient when used continuously, in hearing

aids or radio-pagers. Rechargeable batteries come in two types: lead acid, mainly used in cars, and nickel cad-mium (NiCad). The latter is used in portable computers, mobile telephones and rechargeable domestic appli-ances, such as torches and drills, as well as for batteries which can be recharged at

For domestic use, rechargea-ble batteries and chargers account for only 3 per cent of the UK market - the lion's share still goes to zinc carbon and alkaline units. "I think it comes down to the fact that we are a lazy race," says Gerry Ware, industrial sales manager

# **Batteries in** need of a supercharge

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Della Bradshaw looks at the demands created by a growing array of portable equipment

in the UK for US battery spe-cialist Duracell. "When we want to use something, we want to use it now, we don't want to have to plan days ahead so we can recharge the batteries."

With primary batteries, the more expensive but longer last-ing alkaline type has over-taken zinc carbon in terms of the value of sales. As a result, the UK market for primary bat-teries grew by 12 per cent last year by value, although it was static by volume. Ever Ready (part of the Hanson group) takes about half the UK mar-

ket for primary batteries. In the business market, almost all hand-held cellular telephones and the more expensive lap-top computers use rechargeable nickel cad-mium cells. Although cheaper to use in the long run than primary batteries, they run for a shorter time before they need recharging\_

Batteries for most cellular telephones last for up to 10 hours, but calls can be made and received for only about two hours during that period. Toshiba, the Japanese electron-ics company, claims that its lap-top computers can be used continuously for up to 10 hours, while portables from Compaq, of the US, run for four hours before the batteries

need recharging. Gary Stimac, vice president of systems engineering for Compaq, says: "Our indica-tions are that that is adequate. Most people want to use our products when they're flying from one coast to the other. In four hours they could be back in the office or in a hotel room where the battery can be recharged."

and Cambridge Computer's 288, have both been designed to use primary batteries. The Cambridge machina can run for up to 20 hours on one set.

The spread of portable equip-ment has made the battery problem more acute. There are now nearly 300,000 portable computers in Europe, and that figure is set to exceed 1m in just over two years' time, according to the Paris-based

research organisation, Intelli-gent Electronics/Dataquest. In Britain alone, battery-powered mobile telephones number nearly 200,000 – a figure which is growing by 5,000 a month. The problem has been exac-erbated in the US and Europe

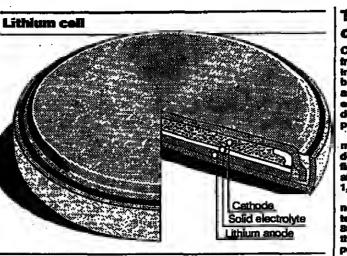
because battery and equipment manufacturers are independent companies and, therefore, do not collaborate on future developments. In Japan, by contrast, most of the big battery manu-facturers, with the exception of Yuasa, also make electronic equipment. They include Sanyo, Matsushita, Hitachi and Casio. Co-operation between divisions of those companies has resulted in products -

such as watches and calcula-tors - with integral lithium batteries. Lithium's advantages are that it is the lightest metal, can work in subzero tempera-tures and is highly efficient -lithium batteries last up to five

times as long as traditional ones. However, they can cost up to 10 times as much to make and, as lithium is highly reactive, can be dangerous. "The industry has to be very

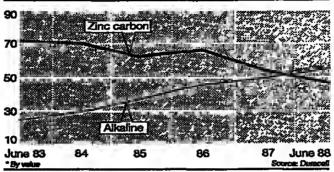
careful because the general public does not always respect the safety information that comes with batteries," saya David-Eyre, technical director of Crompton Vidor and chair-man of the British Standards Institution technical commit-tee on primary batteries. "You can't mix and match

"You can't mix and match different types of battery in The cheaper portable com-puters, such as Amstrad's PPC one piece of equipment. For example, if you were to put a lithium battery with a tradi-tional one, it could result in safety problems and damage to the equipment," he says.



TECHNOLOGY

%\* of UK market for alkaline and zinc carbon batteries



To compound the problem, most lithium cells generate 3 volts, double the power of traditional batteries, and consequently the two types are not interchangeable. (Union Car-hide has developed a 1.5 voit lithium battery, but it is not generally available yet.) One likely result of that dif-

ference is that an international standard will be developed for manufacturing lithium batteries to the same size as the traditional batteries, but with different contacts for connecting the battery to the equip-ment. Each piece of equipment would be designed to incorpo-rate either a lithium or e tradi-tional battery.

The inherent strengths of The inherent strengths of lithium mean that most manu-facturers are pinning their hopes on it — in particular, on rechargeable lithium cells — for the next generation of gen-eral purpose batteries. But it could be another decade before those developments are har-nessed for consumer products, despite the fact that two comdespite the fact that two com-panies have already made the initial breakthrough with the technology. Matsushita in Japan and the Canadian firm Moli Energy both have basic rechargeable lithium cells for

specific applications. Until the lightweight, high-powered lithium batteries become available, business equipment manufacturers are turning their attention to ways of making their equipment consume less power. Stimac believes that equipment mak-ers can increase running time by a factor of two or three through the way the equipment is engineered. Both Compaq and Toshiba bave designed the software in their latest portable computers

so that elements, such as a modem or hard disk, only consume power when they are being used. (The motors in Winchester disks, for example, are notorious for gobbling up electricity.) The UK manufacturer Psion uses a similar technique to maximise battery life in its hand-held computers. It claims

its products can run for up to six months on one battery. Whatever the technological developments, battery manu-facturers seem assured of a lucrative market for some time to come. This year the British will spend about £260m on pri-mary batteries, more than on baked beans or even toothpaste.

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### Taking the heat out of firing

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**CERAMICS**, used for anything from dinner plates to integrated circuits, may soon be manufactured more quickly be manufactured more quickly and with much less heat energy using recently developed materials called pre-ceramic polymers. Normally, ceramics are moulded using a water-based dough and then have to be fired in killins for several hours at hourearchings of shout

at temperatures of about 1,700 deg C.

The polymers, however, need less than an hour at nperatures in the 450 to 800 deg C region. Chemically they are known as polysilizzane precursors. Early work has been on coatings of silicon nitride and tungsten carbide. The materials can be sprayed, moulded, extruded or spon at room temperature. Technical insights, the New Jersey market research Jersey market research group, thinks ceramic precursors are one of the most important advances in materials and could create an entirely new segment of the chemical industry. The company has produced a \$995 report, called Ceramics from Organometallics, which organometallics, which analyzes the research and development in progress and the partnerships and licensing opportunities this has

In particular the report describes in some detail the successful work at SRI International and Ethyl

Corporation in the US. Technical insights believes that the materials will be on the market within two years. It foresees them being used for engine parts, cutting tools circosit marks and electropic

aircraft parts and electronic components.

Digital links go

the distance

network.

IN THE summer, British

Telecom International (BTI)

will introduce digital services with the US and Japan. This will enable information to

travel deak to deak much more quickly than is currently possible over the telephone

The digital connections will mean that data can be

transmitted at 64 kilobits per second (kb/s). For example, it will be possible to send a

facsimile of an A4 page in about six seconds instead of half a minute. Reproduct

quality will be as good as that achieved on modern

oduced.

Personal computer data files can be sent at the speed and quality achieved between adjacent offices; and video conferences in colour, using compact picture telephones, will be tessible. The International

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connections will make these services available on a dial-up basis, like the presen telephone services. They will provide the necessary channels for ISDN (integrated services digital network) services, which enable users to access two 64 kb/s services at the same time. For example, one might carry computer data and the other a high quality audio phone

ISDN will be marketed by BT as integrated digital access (IDA). Like the present telephone service, charges will be based on call duration and there will be a ren charge for connection to the national digital network. In order to make IDA widely bie, BT is replacing analogue telephone exchanges with digital exchanges at the rate of two every day.

### **Oil to weather** marine conditions

CASTROL, the UK off company, has developed a marine engine oil for the super-long stroke, slow spee engines that now provide 75 per cent of the horse power driving the world's ships. driving the world's ships. The product, called Castrol Narine Cytiech 80, meets the need for a specialised jubricant, which can operate efficiently under the severe conditions imposed by crosshead engines and the high suiphur content of marine fuels. The period between

The period between is can be increased by 30 to 50 per cent using the new oil, suys Castrol, and the wear rates in cylinder liners and piston rings can be cut by 30 per cent.

High temperatures and pressures in the cylinders of these engines are the main problems. The former build up acids and the latter tend to diminish the lubrication properties of oils.

Castrol says that it has screened many hundreds of additives and has been able to use neutralising agents based on the calcium sulphonale and phenate

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anti-wear component.

CONTACTS: Technical Insights: US, (201) 568 4744, British Teleconic Lon-don, 726 4444, Gastrol: UK, 0793 There is also an unstated 512712. Micro-X: London, 459 1200.

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### WATCHING Edited by

Geoffrey Charlish

### A dish for all channels

MICRO-X, of Neasdon in the UK, is launching a satellite television receiving dish and electronics unit, which will be able to receive any

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be able to receive any channel on any direct broadcast satelite (DBS) at a tuly installed cost of £584. The company is importing the electronic units from Maspro, part of Japan's C. Ich group. The 650 mm (25 in) sheel dish, however, will be made by a Micro-X associate in the UK. Most dish avaience for the

Most dish systems for the UK's new satellife television services can receive either Astra or BSB (British Satellite Broadcasting), but not both.

Micro-X has taken a different approach. The user can start with a £299 system can start with a 2299 system that will receive Astra, but which has the ability to deal with other signals of different: polarisation. (Polarisation of radio algnais is usually either horizontal or vertical and can be identified by a multi-element sorial. The signals are vertical for UK terrestrial television and horizontal for FM radio.) A remotely controlled

A remotely controlled dish-steering system can be added. In the living room, the user simply presses a channel button on an infrared control box. The satellite receiving box on top of the television then signals the dish to rotate towards the appropriate sutetitie and selects the channel.

1 Julian Bohrman, mana director of Micro-X, thinks مند = معمرها eithe UK will become more like the US, where there are 150 channels broadcesting 120.70 from 30 satellies. 123 A. 1983 BEC. T. S. W Martin Press

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- poor performance and tessened
- find yourself constantly dealing with minor queries from others?
- feel "lost" without your secretary?
- put off potentially difficult tasks because the information you need is not at your fingertips?

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oresticious business off and, as such, we realize that you may wish to be selective about who you give one to. For this reason 'bolk' discounts start at as inne as 25 ileurs.

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Collection

A TRADITION OF EXCELLENCE

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strong personality in his four piece band. At least they share a common passion for dressing

There were no surprises, just

"I shot the sheriff" through

"Knocking on Heaven's door"

No one wanted more, and the total concentration that

gripped the packed auditorium as Clapton eased into "Wonder-ful Tonight," the most poi-gnantly beautiful married love

song of our age, was awesome. He sang it with great emotion

and all those desperate to join in drifted into silence, leaving Clapton to enjoy the experi-

It was music stripped to

bare, almost insubstantial, essentials. Sometimes the filu-

sion that this was just four guys playing rhythm and blues in a small club was taken too

m a small child was taken too far, and the terminally long "Same old blues" could be qui-etly leid to rest. Glapton is not for today's youth but any mort-gagee wondering whether they can still jog along in time will

enjoy themselves immensely.

intifully crafted memories,

like warehousemen.

to "Cocaine."

ence alone.

## ARTS

A Star

world-wide celebrity.

Such fame must necessarily

far out-run any general know-ledge of the work; and Dali the

brilliant and extravagant self-publicist, inveterate surrealist

performer, never shirked an

opportunity to make himself the centre of attention. It is

Dali the eccentric, the "person-ality" rather than Dali the art-ist who is now remembered.

And in a sense this is just

for hard working as he was and seriously committed to the

## Eric Clapton ALBERT HALL

It is totally appropriate that Eric Clapton should currently Eric Clapton should currently be appearing at the Albert Hall. Its cathedralesque atmo-sphere is ideal for perfor-mances which are closer to tra-ditional forms of worship than to a rock concert. Clapton is the revered High Priest, oni-etly and methodically going through the established ritual while the believers att in sol-emp reversed and as in emn reverence. And, as in most churches, the congregation is ageing rapidly.

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Channels

The "Clapton is God" slogans scrawled around the Lon-don of the 1960s are part of pop history and it is the past which shrouds every performance by the guitar maestro. His material is manifestly, indeed proudly, old fashioned: for two hours he churns out the familiar favourites, steadfastly ignoring the chance to plog a latest album. And, as the well loved guitar riffs are plucked off, you realise that you are getting old. Instead of responding to the most exciting, anar-chic, revolutionary music known to man you are awash with the reassuring but confin-ing sound of Radio Two. The world has spun on.

All in all, it has been a nos-talgic week. The ICA did well with a "Hands Across the Ocean" series, with all the acts supplied by WEA Records, but There were a few brave souls who set up a gentle boogle in the aisles but they were more activated by the music of Phil Collins, who had good naturedly helped out his old mucker by taking on the drums, and who was given his own song, "Easy Lover", as a show piece. It was a typical gesture by Clapton, the most laid back, no, physically invisi-ble, player, of the most flam-boyant of instruments, that he should enjoy including such a There were a few brave souls supplied by WEA Records, our to good purpose. The pick was Steve Forbert, returning after a long absence, and showing there is still life in the Jackson friendly guitar.

## The Fatherland RIVERSIDE STUDIOS, HAMMERSMITH

וקלום דאל מסיבים אוי The sprawling naturalistic set, there to suit a court a cross-section of contrasting bungalow kitchens with open yards between, confirms that aparation anticipe in at Column an though we are at Hammer-smith's Riverside Studios, the production originates from ATELS D MODIO production originates from that fringe outpost of remark-able theatre design, the Bush. Michael Taylor's Soweto interi-ors contrast fat old Auntie's shebeen with the neat home of the Mabhena family, proudly revolving round the eldest son, and be abhena family. Se Pe 13 when the STA . FLATER STARE 6 7 18 7. an eine an beber ge ace footballer Reuben. As twi-light falls the broad expanse of the stage back wall twinkles

The Bush's new co-director,

There are hiccups in con-struction. Act 1 reaches a powerfol climax with the kidnap and threatened murder of a policiman, Reuben unwillingly involved in the violence by his onthaw ANC brother. In Act 2 we learn that, thanks to Reuben, the man was released and "he'll never bother us again." This presumably provides the tennous justification for the tennous justification for the otherwise theatrically arbi-trary beating and blinding of a third brother, lovable scamp Lefty. The central theme, the illness, promised release and final death in confinement of with the distant pin-pricks of the city lights, magically evoked by Rick Fisher. the boys' father, a political prisoner, seems only intermit-tently important; and a sub-

plot with the pregnant country strl who naively follows Lefty work commissioned by his prefrom the Transkei is not really decessors, the previous régime having made an enviable name for discovering new writing. developed. Murray Watts's immensely promising study of black fam-ily tensions continues the tra-dition. The Merseyside-born son of perents with South Afri-con connections the arthur But in the feeling that emerges of a real community and a real family, a conven-tionally detailed plot is almost irrelevant. It's enough to observe the variations, under what we know to be a repres-sive eystem, of individual behaviour, from cheerful can connections, the author has worked in Soweto and dis-plays an insider's confidence in elision, ellipsis and economy. acceptance (Jude Akuwudike's acceptance (June Aktiwadife's irrepressible scapegrace Lefty) through opportunist acquies-cence (Geff Francis' sports star, reluctant to rock the boat) and dignified stoleism (Cleo Darcas, herself Soweto-born, as For Mr Watts knows when the unwaveringly religious mother) to armed resistance (Adé Sapara, a trifle one-note and not giving the fugitive's ironic humour a chance). Atmosphere and characterisation promise much for the playwright's inture.

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-and its record since launch tast August

Browne school of American musicians, mordantly observing life from the end of a e hear a great deal lately of a Antony Thorncroft renewed commit ment in British art to an imagery founded in study of the figure and the attendant disciplines of techni-cal probity, close observation and critical record. Any such renewal lies more in the minds and interests of certain com-mentators than in the actual work, for it was never the case that figurative preoccumations

Dali in 1955

that figurative preoccupations were lacking in Britist art. A Private Mythology, selected by Mary-Rose Bean-mont for the Aberystwyth Arts mont for the Aberystwyth Arts Centre and now arrived at the Victoria Art Gallery, Bath (until February 25), does its bit to unravel the threads of a complex reality. Subtitled "the naked figure in contemporary art," it gives us the work of 14 artists of fairly recent reputation . who have variously addressed themselves to one of

the great subjects of art. Small as it is, the show offers some intriguing con-trasts. Stephen Cox's thy fragments show a western artist drawn to the tradition of classi-

ings, water-colours and dry-point engravings. It is always good to come back to the work of an artist one has admired before and find it no less recog-misable but better than ever. I have not seen Macfarlane's work for some 10 years; he has ignored London and shown either in Wales or abroad. est passage. Here such artists as Amanda Faulkner, Tricia Gillman, Ansel Krut, Elleen Cooper and the rest, show that for all the difficulty, the attempt, drawn entirely from

In the middle of the exhibi-

great Buropean tradition of draughtsmanship in the objec-



tive study of nature that runs through the likes of Ruskin and Stubbs to Durer and Leonardo. Turner too is a great model; it is perhaps from him that he instinctively derives a

decided Romanticism. He makes drawings of snails that seem as rich and lush as jewels laid out on velvet. He spreads out like a fan the dead raven's wing to become in microcosm something curi-ously close to the mountain or quarry-side that he studies so intently from the far side of the valley. Of recent art the nearest comparison is with war-time Welsh mountain-scapes of John Piper, the very image of neo-Romanticism. But Macfarlane is entirely his own man, and a remarkable artist.

In contemporary terms, art of a more orthodox romanticism can be seen at the Arnolfini in Bristol (Narrow Quay: until March 5, then to Dean Clough, Halifar). At 41, Giuseppe Pen-one is already a sculptor of wide international reputation, and indeed is included in the major survey now at the Royal Academy of Italian Art in the 20th century. But this in Bris-tol is his first significant solo show in Britain, and it coin-cides with the publication in English of the first monograph (by Germano Celant: Electa). Penone takes nature and the physical world as material source and conceptual stimulus. He engages himself directly yet stands apart to reproduce as art a natural process, or to return what has been processed by man to an ambiguous state of nature. Each of the clods of clay, hacked out of the earth by a variety of implements, carries the marks of its removal. Here are these fired lumps, hung in an elegant row. A pile of leaves holds the impression of a rest-ing human form. Another such heap, but cast in bronze, is held in mid-air on wooden poles. Carved back into the wooden plank is the image of the living tree. Elegant undoubtedly, but the idea is everything.

Salvador Dali Shostakovich FESTIVAL HALL The Spanish surrealist painter profish age, not the least of Salvador Dali, who died yes-terday at the age of 85, was one of that select band of art-ists that has enjoyed truly mon mind and to make it not The Shostakovich festival is not exceptionally so. As so drawing to a close. On Sunday night the symphony cycle lack of that chill, of that shiver reached the Second and Thirteenth Symphonics – o pair of choral works which span the contral pariod of the symphonies. But it would be churchich to complain only memorable, but oddly only memorante, and outly respectable. For Dall, though he set out quite consciously to shock and disturb, was always the most accessible of the

would be churlish to complain when there was so much else to admire, such as Ashkenazy's gift of letting the strings sing out, so mournful in the third movement. (How evocative its picture of women standing freezing in queues still seems

in that movement, too, John Shirley-Quirk was et his finest, catching the pathos of the music with almost unbearable tenderness. The only weak link in the performance as a whole, bar some untidiness lo the ensemble, was the Brightoo Festival Chorus, whose neat and sadly underpowered sing-ing fell some way short of what was required. Perhaps there is no British chorus who could match those marvellous, buoming Russian basses. In between came Shostakov-

ich at his most self-consciously minor and flippant: the First Plano Concerto, Raymond Simmona ployed the important trumpet solo and the planist was Dmitry Alexeyev, always rhythmically lively and rising at the end to something like viction, whichever of them chose it. But on balance I feel it was preferable that this symphony should have fallen to Ashkenazy. His performances have been no less expressive the manic excitability exhibited by the composer on his own recording. Ashkenazy than his counterpart's and they have shown a finer sense again gave energetic support, but the RPO's playing dropped of overall control in the most massive of Shostakovich'e temporarily below par.

**Richard Fairman** The Thirteenth went well, if

### London Philharmonic FESTIVAL HALL

monolithic structures,

On Sunday the LPO had Russian guests, the conductor Semyon Bychkov and the cel-list Natalia Gutman, to perlist Natalia Gutman, to per-form markedly national, non-Russian music – Charles lves' Third Symphony, Dvořák's Symphony "From the New World" and the Elgar Celio Concerto, Highly professional performances all, neither too Russified nor too cosmopolitan in manner: the choice of Bychkov as Barenboim's suc-

sor with the Orchestre de Paris seems very reasonable. The Ives work, a homely lit-tle "eymphony" he put together from earlier organ more crepuscular Adagio, but it expanded here with full-blooded feeling. Bychkov was always a pieces, was expounded with faithful affection. It is not a ground-breaking extravaganza like his Fourth Symphony, but its material - hymn-tunes, mostly - is worked up with any number of small, quirky touches in counterpoint and harmony (as well as an evident respect for early Richard Strauss). Bychkov kept the texfour of the jerry-built transitures clear, and forced nothing; tions in the symphony - the if there was any telliale for-eignness, it was only in the of an sppealing potpourt than of an sppealing potpourri than a real symphonic exercise consciously cultivated, vibra-to-ladeo LPO strings. Ives would have indged them "nice" he sounded momentarily irresolute. Anybody might well be, but one shouldn't let it show. - a term of derisive abuse in his vocabulary - where a plain, cheerful address is all **David Murray** 

that's required, ond indeed helps to reveal the real origi-nality of the music.

The Elgar concerto never sounded intemperately un-En-glish, though Miss Gutman's big style and passionate intro-spection are not what native performances commonly offer. She bit into the recitatives with broad eloquence, and in her daringly swift Scherzo there was no flaw in her technical security or her aplomb. Some Eigarians may prefer o

quickly responsive partner, and the orchestra of course know the work thoroughly; so they do the Dvořák Ninth, too, which they delivered expertly. Bychkov's reading was notable more for crispness and delicate colours (along with some fierce fortissimo) than for friendly Bohemian warmth. At three or

Figures of the imagination William Packer reviews exhibitions in Bath and Bristol

knowledge of the figure, won day after day in the life-room, the work of these artists is marked by a free, often indulgently free, expressionism. Just such a character may be the last resort of the ambialways.

tiously incompetent, hat not When the resources of the when the resources of the visible world are wilfully set aside, the artist has only his own imagination by which to sustain invention. The easy option may not be so easy after all, and if the attempt is free to anyone, the true resolution and final account can only be settled after working the hard-

He too, at 40, is compara-tively young, but he studied in Scotland where the traditions of objective and technical study continued long after they were abandoned in Englishs-chools. His work stands in the within is not hopeless. tion but not of it are 6 studies of the nude from the Arts



belief in his own genius, his work nevertheless was flawed, limited in its scope. Yet to be fair, the work did come first; while other, greater artists The irony is that so discon-certing was his imagery thet his wider popularity needed the cooler justification of fine came to Surrealism, used, exploited, developed it and draughtsmanship. Dali was not a great artist, but he was greatly talented, and had the inck to ride the wave of a parmoved on (Picasso, Miro, Ernst) it fell to Dali to stand for it in the public mind. ticular movement at a particu-There was something in the nature of his highly wrought lar time.

He has his place secure enough in the history of the art of our time, but, exponent Surrealist imagery that caught and held the public imagina-tion - the soft watches of the Persistence of Memory, the blazing girafles, the ants, the as he was rather than innovator, it must always be set within the wider history of the Surrealist movement itself. lephant, swans, the leaping tigers, images of grotesque dis-memberment and decay. In a violent, but nonetheless

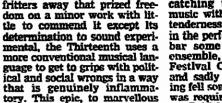
William Packer

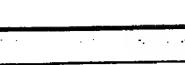
were not always to be found on the canvas itself.

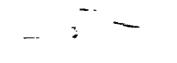
central period of the compos-er's career, from the reaction-ary days of his yonth, past the avant garde, and by the end of the 1930s his work was even gracing the cover of Vogue. Stalin era, to a time when the mature composer felt assured enough to rattle the bars of the Soviet cage again in the face of the Kruschev regime. He was a psychological illus-trator, and his work would always look well in reproduc-tion, which gave the work the appearance of accomplishment and technical command that

They both catch Shostakov-ich in the mood to speak In the openly. But where the Second Shirleyfritters away that prized freedom on a minor work with lit-tle to commend it except its

guage to get to grips with polit-ical and social wrongs in a way that is genuinely inflamma-tory. This epic, to marvellous poeme by Yevushenko, is arguably the great Shostakov-ich symphony. In a cycle which has been conducted jointly by Rostro-povich and Ashkenazy there was no need to worry that its performance might lack con-viction, which we are the second







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not to overdo it. The atmosphere of an occupied territory is suggested almost casually, the police sergeant's interroga-tion over pass books and refer-ences to Section 10 taken for 11. 11. 12 لمتعلقا بالبسطية مواريدة AL THE LAST AND THE granted as part of normal life. The play's canvas is broader than first appears; there are fleeting resemblances between -----10.m) im 100 Mr Watts' township - swag-gering rascals, petty criminals, drinkers, fugitive patriots, strong women and weak men -and O'Casey's Dublin tenement dwellers AS OF STISTER ANTERST h The 'Chill' 12 Q 102 000 dwellers. Service States will

Martin Hoyle

cal Indian sculpture, where Dhruva Mistry shows himself, by his twin tondos, positive and negative, to be an Indian steeped in that tradition yet liberated by western opportu-

nity. For all the expressive force of their images of the male nude, Nicola Hicks and Peter Howson remain close to the model as it is, where Amanda Faulkner and Eileen Cooper, in large canvases of considerable graphic anthority, describe gods, beasts and heroes that are quite their own. Other artare dune their own. Under all ists worth noting are John Kirby, Glenys Barton with her quist circle of knesling. ceramic women, and Ansel **Krut** 

But beyond the individual lies a more general point. Renewal or not, we can see here that much of the most imaginatively potent of the fig-urative work of our younger artists is hardly disciplined in that older sense at all. Far from being born of any deep



"The Bodybuilder" by Peter Howson, 1986: the original drawing for the screen print in the exhibition

### **ARTS GUIDE**

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Berlin

OPERA AND BALLET

Royal Opera, Covent Garden. A new and skilful English-han-guage version of Die Fledermaus by John Mortimer is introduced to the house in John Cor's (also new) staging, with a first-rate cast (including Carol Vaness, Thomas Allen, Dennis O'Neill, Lillian Watson and Griff Rhys Jones) but a less than spackling conductor in Adam Fischer. Fur-ther performances of Nuria Into 48.28.40.48). Opéra Comigue. Jean Baptiste Lully's Atys. The Grand Siècle in all its splendour, received the Grand Prix de la Critiquein 1967. Selle Favart (bookings 47.49.59 cf Salle Favart (bookings 47.42.53.71, info 47.42.57.50). Vienne Staatsoper. In repertory: La Bohème conducted by Elio Bon-compagni and sung by Gehriela Benackova Cap, Rugenia Moldov-eanu, Francisco Ardiza and Manired Hemm. Chowansch-tschina (premiere) conducted by Claudio Abbado, with Brigitte Poschner-Klebel, Joanna Borowska, Wladimir Atlanto. Cavalleria Rusticana conducted by García Navarro with Gwyneth

conductor in Adam Fischer. Fur-ther performances of Nuria Espert's Madama Butterfly pro-duction, new this season. Yoko Watanabe, Mario Malagnini, Thomas Allen, and Anne Masson take over the leading roles, and Mark Ermler conducts. English National Opera, Coll-seum. The first British perfor-mances of Aribert Brimsun's Shakaspeare adaptation, Lear, a 1970s opera already seen throughout the rest of Europe and in the US. Monte Jaffe takes the this role, the cast includes Cavallaria Kustoana conducted by Garcia Navarro with Gwyneth Jones, Wladimir Atlantow, Georg Tichy, Matteo Manuguerra. Pag-liacci sung by Patgricia Wisl, Nicolal Ghiaurov, Matteo Manuthe title role, the cast includes Phyllis Cannon, Rosa Mannion Ballet. Dream Dances, conducted by Uff Schirmer and Les Noces, conducted by Ernst Maerzendor-fer. (Tel 51444. ext. 2650). Nigel Douglas and Rodney Macann, and the conductor is Paul Daniel. The production is

In a special offer, you can receive Fast Pax FREE for borrowed from Krefeld. The 1977 production of La Bohème is one month. Just fax David Charters on the firm's UK fax mumber: 0223-329806. He'll fax you today's Fast fax mumber: 0223-329806. He'll fax you today's Fast fax and a full moort of its recommendations and their revived with an uneven cast headed by Rosamund Illing, David Rendall, Anthony Mich-ack-Moore and Nancy Gustafson.

Further performances of The Mikado in Jonathan Miller's sparkling updating. Paris 28 Penton Street, Cambridge CB2 1DH, Great Britain

Chatelet. Bellet Antonio Gades to Manuel de Falla's music dance El Amor Brujo (40.28.28.28). Palais des Sports. Spain's national ballet brings colour and

Peper and Peter Gougaloff. The fine new GötzFriedrich produc-tion of La Bohème is sung by Catherine Malitizano (Mimi), Antonio Ordonez (Rodolfo) and GwendolynBradley (Musetta). aflery temperament with its 70 dancers and 250 costumes under the artistic direction of Jose Antonio (bookings 48.28.40.90,

Prenkfurt

Opera. Rigoletto is well per-formed by Anna Dawson (GRda), John Rawnsley (Rigoletto), Vin-son Cole (Duca), Margit Neu-hauer (Maddalena) and con-ducted by Gary Bertini, William Forsythe's musical isabelle's Dance returns, Rolf Lieber-mann's Opera der Wald is newly produced by Adolf Dresen. Amsterdam

The Netherlands Opera. Produc-tion of Ariadne and Naxos by Richard Strauss, directed by Gra-ham Vick. Stephen Barlow con-ducting the Netherlands Philharmonic, with Rita Cullis as Ariadne, Jeanne Piland as the Composer and David Griffith as Bacchus (Tue).(255 455)

Rome

Opera. Der Fliegende Holländer stars Simon Estes, brilhant in the title role. Das Mädchen aus Teatro Alla Scala. Luca Boncon-i's complex production of Weber's Oberon, with 43 scene changes and recitative in five dem goldenen Westen is revived with a star cast led by Mara Zam-

January 20-26

languages, conducted by Selji Osawa. The cast includes Eliza-beth Connell, Philip Langridge and Micheal Pabst, with the War saw Philharmonic Choir (Thur) (80.91.26).

### New York

Metropolitan Opera House, Lin-coln Center, Julius Rudel con-ducts Die Fledermaus with Bar-bara Danlels as Rosalinde, Reiga Dernesch as Prince Orlofsky and Allan Glassman as Aifred. Blue-beard's Castle continues with Jessye Norman as Judith and Samuel Ramey in the title role in performance with the monoin performance with the mono-drama Ewartung where Jessye Norman sings the Woman. Jame Levine conducts both. Aprile Millo sings Aida, with Vladimir Theatre, Lincoin Center, The 40th anniversary season contin-ues with 26 works by George Balanchine, nine by Jerome Rob-bins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William For-sythe, Lar Lubovich, commis-moned for this season, will be oped for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

new production is conducted by the composer. Shinjuka Bunka Centre (Wed, Thur) (572

## Tan & friends

WIGMORE HALL

Melvyn Tan presided at the keyboard in Friday's delectable recital of early-Romantic chamber music, with the American clarinettist Eric Hoeprich and the French horn-player Michel Garcin-Marrou in attendance. At two keyboards, actually: for At two keyboards, actually, for the dust pieces he used a Streicher fortepiano, for the two groops of Mendelssohn piano music a late-1830s Broadwood bahy-grand piano (on which Mendelssohn himself played on one of his visits to this country).

The contrast between the two instruments lent the occasion some of its charm - the fortepiano set the "domestic" scale perfectly appropriate to the works chosen, whereas the wider dynamic range and fascinating tone-colours of the Broadwood conferred on Mendelssohn (the Andante and Rondo capriccioso, Op.14, fol-lowed later by two of the Songs without Words) a very per-sonal quality of palpitating

omanticism. Mr Tan underlined this with great delicacy. He has become not just an expert on these "period" keyboards but a distinctive stylist of the music written for them: the use of rubato, control of tone-colour,

rhythmic variety, and com-mand of scale were throughout the concert a pleasure, and the sympathy with the action and sensibility of the two wind instruments was imprecable. The performance of Weber's

Seven Variations on a Theme Seven Variations on a Theme from Siloana, Op. 33, was per-haps the evening's choicest item: Mr Hoeprich's clarinet speaks the language of Weber's virtuosity with native elo-quence, and a fortepiano can catch all the glitter and buoy-ancy of the piano writing – players of modern planos often (although by no means always) (although by no means always) reduce Weber's figuration to a humdrum level of mechanical

expertise. Mr Garcin-Marton played horn sonatas in F hy Bee-thoven (Op.17) and Beethoven's quondam assistant and copyist Ferdinand Ries (a dullish piece rendmand Ries (a dullish piece with momeots of slow-move-ment suavity). One felt less "presence" and personality here: the difficulties of the "period" horn had been finely mastered (and they are suffi-cient heaven knowe) but cient, heaven knows), but there didn't seem much inventiveness left over for making the solo line sparkle.

Max Loppert

## The Highlanders

PALACE OF HOLYROODHOUSE, EDINBURGH

"The finest race in the world," was Queen Victoria's vardict on the Highlanders. In 1865 the Queen commissioned the Scot-take pride in their traditional ish miniature painter Kenneth MacLeay to paint some of her retainers on the Balmoral estate (John Brown included). Two years later MacLeay began a series of 23 watercolours of representatives of the principal Highland clans. "The Highlanders of Scotland" aimed to provide an accurate representation of clan and family tartans in response to the bastard plaids created during the tartan mania

inspired by George IV's visit to dress, and MacLeay's vividly coloured drawings are accurate down to the last cap-badge.

Normally housed in the Royal Library at Windsor Cas-tile, the watercolours are now on show for the first time since 1870, at the Palace of Holyroodhouse, Edinburgh, until April 16. The exhibition will transfer to Balmoral Castle, Aberdeenshire, May 1-July 31. Susan

Moore

# Popov as Ramades and Alam Fondary as Amnatos and Anna Fondary as Amonasto, conductor by Christian Badea (362 6000). New York City Ballet, State Theatre, Lincoln Center. The

Teatro Dell'Opera. A revival of the 1964 Visconti version of Moz-art's Le Nozze di Figaro by Volksoper. In repertory: Mignon; Volksoper. in repertory: mighton; My Fair Lady; Der Opernball; Don Giovanni, Die Instige Witwe, Die Zirkusprinzessin. Ballet: Arthur Schnitzler und sein Rei-Alberto Fassini, conducted b Donato Renzetti (Tues, Thur)

The cast includes Klisabeth Nor-berg Schulz, Adelina Scarabelli, Clarry Bartha, Claudio Desderi and Mario Bolognesi (46.17.55).

Tokyo

Yuzura (Night Crane). Opera

by the contemporary Jepenese composer, Ikuta Dan, which was premiered in 1952 and has now been performed 500 times. This

14

## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telex: 8954871 Fax: 01-236 9764/5 Talephone: 01-248 8000

Tuesday January 24 1989

# The future of Hong Kong

The British approach – that quiet diplomacy is the only way forward – has produced few fruits so far. Admittedly, once the reversion of Hong Kong to China in 1997 had been agreed, Britain was always agreed, Britain was always going to be negotiating the modalities from a weak posi-tion. It is not surprising, given this tactical reality and the effective and eloquent lobbying campaign conducted by con-cerned residents of Hong Kong, that the British Parliament's Foreign Affairs Committee should start, however belat-edly, en urgent inquiry into the Government's handling of the matter. Its intervention the matter. Its intervention may even be welcome, if it throws some public light on negotiations that have been conducted behind closed doors.

### **Basic Law**

The critical issue is the Basic Law covering tha colony's administration for 50 years from the hand-over in 1997. This will be promulgated as soon as early 1990. The first draft, published last year and described to Hong Kong as a tree full of rotten apples, did depart significantly in both content and spirit from the principles of the 1994 Sing Prin principles of the 1984 Sino-Brit-ish Joint Declaration agreeing the transfer of sovereignty. The British and Hong Kong Governments insisted, how-Governments insisted, how-ever, that they could get it improved. The drafting com-mittee finished its proposals for the second draft in Guang-dong last week. After it is pub-lished next month, there will then be only one last chance for consultation and amendfor consultation and amend-ment before the final version is published next year.

The more worrying depar-tures from the Joint Declaration in the first draft con-cerned the independence of the judiciary, the degree of auton-omy of the Hong Kong Special Administrative Region and the

TIME IS running out for the British and Hong Kong Gov-ernments to demonstrate that they have either the inclina-tion or determination to fight to safeguard the interests of Hong Kong's 5.5m inhabitants before the colony is returned to Chinese sovereignty. The British approach - that quiet diplomacy is the only way forward - has produced few fruits so far. Admittedly, once the reversion of Hong

Legislative Council could now be postponed until at least 2012. Even then, the introduc-tion of full direct elections would be subject to a referen-dum and, in a further watering down of democratic intent, the Peking supporters dominant on the drafting committee heve pushed through a clause stat-ing that a referendum would only be held if China and the Legislative Council of the time agreed. **Diplomatic effort** The onus on the British and

agreed.

The onus on the Britsh and Hong Kong Governments now is to demonstrate that quiet diplomacy really is being exerted to protect the interests of the people of Hong Kong. It might help to remind China with the thore Hong Kong is publicly that Hong Kong is an asset, not a liability, that it possesses a well of skills and possesses a well of skills and entrepreneurial vigour which will quickly dry up under heavy-handed political and eco-nomic controls. The Chinese seem to be forgetting the understandings which lay behind the 1984 Jotot Declara-tion, particularly with regard to the evolution of democratic processes.

There is also still something that Britain itself can do for the people of Hong Kong, which is to open its doors to more of them. As it stands, only the privileged few will be allowed residence in Britain. Portugal, on the other hand, has granted passports to the ethnic Chinese in Macau, which returns to Chinese sovereignty in 1999. Thus Maca-nese will, under European Community law, be able to live and work in Britain while "British" subjects from Hong Kong will not. Lord Glenarthur's comment that this might seem unfair but that "many things in this world are unfair" encapsulates much



t has been an uncomfortable few days for President François Mit-terrand. On Friday, one of his former industrial policy advisers resigned as *directeur de cabinet* to Mr Pierre Bérégovoy, the Finance Minis-ter, "to defend his honour" in the growing insider trading scandal con-nected with the takeover by Pechiney, the nationalised aluminium group, of American National Can. On Saturday, Le Monds alleged that Mr Roger-Pa-trice Pelat, one of Mr Mitterrand's old-est friends, had bought substantially est friends, had bought substantially more shares in the Triangle group, parent of American National Can, than he had previously admitted.

These events have now given a much more political tone to the conmuch more political tone to the con-troversy over a scandal which had previously looked like a characteristic French business affatre. But when taken together with the previous uproar over the fiasco of the stock market raid against the Société Gén-érale privatised bank, an operation tacitly supported by the Finance Min-istry, it is clear that France is facing a series of difficult dilemmas over the series of difficult dilemmas over the relationship between politics, money

and the state. There has always been deep inter-penetration between the worlds of pol-itics and money in France, but until now that has taken place almost exclusively on the political right. In Mr Mitterrand's first term, the Social-Mr Mitterrand's inst term, the Social-ists response was a massive national-isation programme to attack what President Mitterrand had called "the wall of money." The new Socialist Government has renounced national-isation, but it does not appear to have, worked out a coherent relationship with the world of French business. The two affairs also focus the endi-

The two affairs also focus the spotlight on the role of state institutions and the "old boy networks," with the Socialists in the last nine months and the "old poy hearing in the last nine months seeking to capture control of key industrial and financial groups by assembling business clans of their own to replace those loyal to the right. In rhetorical terms, the new Government-believes in deregulation, over the counter 'market after hard negotiations between the two compa-negotiations between t

reinforced. But the latest affairs raise the question whether the reformed COB will live up to expectations. However, the most general issue raised is whether, in the medium term, the Socialist Government can term, the Socialist Government can escape the problem of privatisation. The policy laid down by Mr Mitter-rand is that this left-right controversy should be shelved, with no renational-isation and no new privatisations. In principle, this appears to be a tenable line, but it seems to be proving diffi-cult to apply in practice. A French government official need never have been involved in the Pechiney-Trian-gle negotiations if Pechiney were not a state-owned company. Nothing in the Treaty of Rome forbids countries to nationalise companies, but the car-rent argument between Paris and Brussels over the status and capitalis-ation of Renault, the nationalised car

ation of Renault, the nationalised car group, eloquently illustrates that the single market due after 1992 and the European Community's competition rules may require state-owned compa-nies to look and behave exactly like private enterprises.

The irony is that the Pechiney-American National Can deal was heralded by the Government last Novem-ber as a triumphant demonstration of the way in which a state-owned com-pany could gain in stature in the global markets without sacrificing its national industrial vocation. The acquisition of the American company was linked in the Government's public rhetoric with Pechiney's simulta-neous decision to invest in a big new aluminium amelter in the depressed northern region of Dunkirk. These considerations of national and industrial interest have now been

largely overshadowed by the insider trading scandal, which might never have come to light but for the investi-gations conducted by the US Securi-

since the nationalised group needed state authorisation and support for the financing of the \$10n acquisition of American National Can. The para-

Paul Betts and Ian Davidson assess the impact

on France's Socialist Government of the

country's insider dealing scandal

A tangled tale

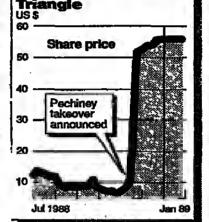
of politics,

money and

the state

of American National Can. The para-dox of the financing is that it was connucted in part through the float-ing of a quarter of Pechiney's naw international subsidiary, which amounted to a partial privalisation. No one claims that Mr Alain Boub-til, until last Friday the chief adviser of Mr Bérégovoy, the Finance Minis-ter, made money out of the deal. He has vigorously denied any suggestion of improper tovolvement in the Pechi-ney affair and has claimed to be the victim of a smear campaign. But it is known that two personal friends of Mr Mitterrand bought Tri-angle shares just before the acquisi-

state groups two years ago, they aimed to ensure continued control by angle shares just before the acquisi-tion was announced. Mr Roger-Patrice



Pelat had previously claimed to have bought 10,000 Triangle shares in all innocence, but last Saturday Le Monde alleged that Mr Pelat or his son had in fact bought another 40,000 shares through intermediaries in Switzerland and Luxembourg. Mr Max Théret, former chairman of the ENAC manual shore a though FNAC retail group and also a friend of the President, earlier admitted buyFINANCIAL TIMES TUESDAY JANUARY 24 1989



longer history of Mr Bouhlil's role as éminence grise of Mr Mitterrand's industrial policy, first as industrial adviser at the Elysée palace and sub-sequently at the Finance Ministry. Mr Boubill had made many enemies over the years both inside the Govern-ment and in the world of business because of his interventionist approach and his arrogant manner. After he joined the Finance Ministry last summer, one of his first tasks was to spearhead Mr Bérégovoy's new strategy of undermining the Gaullist hold on key privatised industrial and financial groups. When the Gaullists embarked upon the privatisation of state groups two years ago, they troversies. In the case of Pechiney, both Mr Mitterrand and Mr Bérégovoy

both Mr Mitterrand and Mr Bérégovoy have called for the fullest light to be shed on the insider trading scandal. To this end, the Finance Minister is planning to table a bill in the spring session of parliament substantially to reinforce the powers of the COR. In the case of Société Générale, the Gov-ernment intends to pursue its former strategy of breaking in Genillist "hard ernment intends to pursue its former strategy of breaking up Genillist "hard cores" in privatised groups, but by-different means. Another bill will be tabled in the spring to release institu-tional shareholders from their obliga-tion to seek board approval before selling their stakes in privatised com-panies before 1992. This will leave room for new shareholders to recon-stitute the "hard cores" of privatised groups, although the Government plans to retain a veto on any single stake of more than 10 per cent for the next three years. setting up loyal groups of "hard core" shareholders. The new Socialist Gov-ernment, while pledging not to rena-tionalise, made clear from the begin-ning that it intended to break up next three years. these Gaullist dominated "hard cores." It planned to set up alterna-tive shareholder groupings which would be more sympathetic to the Socialist administration.

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next three years. In other words the new Socialist Government is just as determined as its Gaullist predecessor to prevent any unwelcome (either foreign or politically hostile) takeover of a major French group, at least for the next few years. Left and right may differ about means, but not about ends. Since this weekend's developments, the right-wing opposition has stepped up its attacks on the Government. Mr Alain Juppe, secretary general of the Gaullist RPR party, said on Sunday that France "had the rothenest left in the world." Mr Alain Madelin, the for-mer right-wing Industry Minister, has talked about "Pechiney-Gate." Even the Communists are now joining the chorus of demands from the right for a parliamentary commission of inquiry. Such demands, are political sabre rattling; the COB inquiries are expected to lead to prosecutions, which would automatically put a legal gag on the affair. gag on the affair.

No one claims that Mr Mitterrand or Mr Beregovoy are financially cor-rupt, and in any case the right wing may not be best placed for making such accusations. But in the cut and thrust of politics, the latest allegations may have tainted the image of

Triangle

Guangdoug of the proposed second draft would, for exam-

# **The Fraser** appeal

FEW WOULD DENY the fered from the earlier High entertainment value of the Court ruling and found that long-running legal battle over the Trade Secretary was within the acquisition of House of his rights. Yet Lord Young has Fraser by the Al Fayed brothers. The more pressing while the High Court's ruling question is whether this court-may have been overturned, its comments on his decision to interests of anyone other than Lonrho's Mr Tiny Rowland. room drama is really in the interests of anyone other than Lonrho's Mr Tiny Rowland,

Interests of anyone other than Lonrho's Mr Tiny Rowland, who remains passionately com-mitted to winning control of the stores group, the finest asset of which is Harrods. The answer, according to the Appeal Court, is that the issues involved far transcend the spe-cial concerns of Mr Rowland. In giving the court's reasons for overturning an explicit High vertical to specify the court's reasons of the stores of the spectrum of Appear Court, is that the issues involved far transcend the spe-cial concerns of Mr Rowland. In giving the court's reasons for overturning an earlier High Court ruling that Lord Young, the Trade Secretary, should refer the acquisition to the Morganity of Court and the secretary Monopolies Commission and publish his inspectors' report on the acquisition. Lord Dillon implied thet there was a clear public interest at stake in the Fraser affair. Given what has emerged

On the question of whether Lord Young should have taken Lord Young should have taken the opportunity to refer the bld for House of Fraser in the light of new information, the Appeal Court argued that the Secre-tary of State enjoyed discre-tion, rather than a legal obliga-tion, over the reference; and it was perfectly possible that a Monopolies Commission recommendation that the Al Fayeds should divest was not the appropriate remedy for the wrongs discussed in the inspecabout the original acquisition since 1985 that view is wel-come. There is evidence that the Al Fayed brothers provided misleading information about their background and about their sources of finance at the time of the bid. That said, the role of the courts in the House of Fraser case is not to pass its of the Trade Secretary's urongs discussed an arrival least, the legal argument coincides with a common sense view. Divestment is a raise kind of penalty since it faveds with

curious kind of penalty since it could provide the Fayeds with a profit rather than a loss, if In pursuing their judicial review of Lord Young's actions the courts have been preoccumarket conditions dictated. pied with two main areas. The first concerns his decision not to publish his inspectors' report on the original acquisilack of explanation for the decision not to refer. And this tion in the hands of the Secre-tary of State which is a major weakness in UK mergers poltion. Lord Young's reason for failing to publish was that he had been advised by the had been advised by the Department of Public Prosecu-tions (DPP) and the Serious Fraud Office (SFO) that publi-cation would prejudice their investigations and prejudice a chis thick if guinnel proceed icy. As long as the discretion exists under the Act, however, the case for having the Trade Secretary offer a public justification in the handful of cases where a decision is made on fair trial if criminal proceedpublic interest grounds is

ings were brought. public interest Here the Appeal Court dif- worth exploring.

report. Outside the courtroom the argument looks academic

anyway since Mr Rowland is

busy promulgating far from disinterested tracts on the sub-

Much less satisfactory is the

highlights the excessive discre-

**Curious** penalty

tion to intervene. As a result, the affairs are now imposing a much heavier burden of responsibility on regulatory institu-tions which are meant to be indepen-dent of the state. In the past, France has regularly vibrated with succulant clear. The SEC has identified a num-money scandals, which have eluded ber of Swias and other discreet inter-any affactive way before the was another flurry of purchases. The implication of insider trading is her of Swias and other discreet inter-and the state. In the past, france has regularly vibrated with succulant the unplication of insider trading is her of Swias and other discreet inter-tions which are meant to be indepen-ter of Swias and other discreet inter-ter of swias and other discreet inter-swider of swias and other discreet inter-ter of swias and other discreet inter-swider of swias and other discreet inter-ter of swias and other discreet inter-ter of swias and other discreet interany effective regulation and usually mediaries in the trading, but so far avoided any indicial punishment. That there is no complete list of the ulti-roles and the powers of the Commis-sion des Opérations de Bourse (COB), French finance ministry was kept the stock market watchdog, are being informed of Pechiney's negotiations

In practice, it appears to be finding it nies started last August. There were much harder to give up the tempta-tion to intervene. subsequent large sales of Triangle

Finance Ministry, by Mr Georges Pebereau, a financier with wide con-nections in the French politico-busi-ness establishment. But the Société management fended off the attack with the help of a handful of blue-chip ing 10,000 Triangle shares but denied any hint of insider trading. Mr Boublil has hit back at his crit-

ics and sued three French newspapers for libel. But although Mr Berégovoy had defended his *directeur de cabinet* - the head of the minister's private office - during the past few weeks his presence had become an increas his presence had become an increas-ing embarrassment for the Finance Ministry. The explanation lies partly in the details of the smears alleging Mr Boublil's association with a Leban-ese intermediary in the Pechiney negotiations, but also partly in the

allies, and now the Government is faced with an embarrassing deadlock. To make matters worse, the Pechithe Socialists and harmed their pros-pects in the forthcoming municipal ney scandal has provoked an open dispute within the Government over the Société Générale affair. Mr Roger Fauroux, the Industry Minister and former chairman of the Saint-Gobain glass and packaging group, has openly criticised the COB decision not to investigate the Société Générale raid, claiming that it was a "much more serious affair" than Pechiney. The Government has now adopted a

The mechanism in this strategy was

The mechanism in this strategy was to be the market, and the players the big state institutions with large share-holdings in privatised companies. High on the list of these state groups were insurance companies and other institutional investors, especially the Caisse des Dépôts et Consignations, the investment arm of the state

the investment arm of the state savings banks. This strategy of mar-ket manipulation started well with the smooth recomposition of the core

shareholding structure of Havas, the privatised media and advertising group. But things started to go wrong when the Government turned its

attention to Société Générale, the

country's largest privatised commer-cial bank. A stock market raid on Société Générale was mounted, with

the obvious encouragement of the

pects in the forthcoming municipal elections next March. It is possible, however, that the relative position of Mr Michel Rocard, the Prime Minis-ter, may have been strengthened, since nona of the allegations have touched his office. The question is whether Mr Rocard can devise — and, where all the force average due when all the fuss eventually dies down, impose — a political-industrial strategy for France which would look better prepared for the new European realities of 1992.

### Hills guide to tax

Rarely can a booklet on the incidence of taxation have had such imme diate and extensive coverage as John Hills's Changing Tax: How the tax system works and how to change it. It has been discussed to all the quality news-papers and is likely to be much quoted to the run-up to the

Budget and beyond. One of its conclusions, backed with figures, is that since 1979 there has been "a major redistribution from those on low incomes to the better off . . . cuts to direct taxation have been entirely paid for by cuts in the relative value of benefits."

Hills wrote the booklet at the suggestion of Fran Ben-nett, Director of the Child Pov-erty Action Group. It began as a pamphlet, but is almost a book - of the kind that could very well be used in with form economics courses

Now 34, Hills did maths and economics at Cambridge in

the mid-1970s. He then spent the mid-13708, he men spent two years working for the Min-istry of Finance in Botswana, followed by a Master's Degree at Birmingham under Profes-sor Mervyn King, whose joint book with John Kay on the British tay suram he helped British tax system he helped revise.

He became a civil servant at the Department of Environment when Michael Heseltine was Secretary of State. Heseltine was conducting his MINIS efficiency exercise, thought that there were too many economists about the place and suggested that some of them should look elsewhere for work. So Hills went off and did two years advising the Select Committee on the Trea-

sury in the House of Commons Afterwards he joined the Institute for Fiscal Studies, reunited with John Kay who had become the Director. Then came Africa again. Hills spent

18 months advising the Commission of Inquiry into Tara-tion in Zimbabwe. "Robert



says, "and wanted an indepen-dent look at what should take its place. In terms of the acceptance of the commission's recommendations, the strike rate was about 50 per cent." Hills thinks that was pretty good.

For the last three years be has been at the London School of Economics and is Co-Direc-tor of its Welfare State Pro-gramme. One of his specialities is housing finance, on which his book is due shortly. He is also working with a team on The Development of the Wel-fare State since 1974, which will be a major study out next

### Howzatt?

Bob Hawke, the Australian Prime Minister, has taken to opera, at least superficially. Recently he attended a perfor-mance of Tosca. The Sydney Morning Herald reported: "The singers' volces soared, the andience was in rapture, when suddenly up leapt Hawke, like an extra from an Anstralian lacer company commercial. lager company commercial, yelling: 'You beaut.'"

But it was not the music that had moved him. He had a transistor radio pingged to his ear and was listening to Australia playing the West Indies. Australia had taken a wicket.

### Walker's move

Nearly every junior minister on the fringe of the Cabinet, surveying the log jam at the top, seems to have decided that Peter Walker, the Welsh Secretary, must be among the candi-

dates ripe for departure. The theory goes that the days are over when the Prime



ber plans.

on the new talent.

Just one or two caveats. The Tory Party still has no very obvious alternative Secretary

of State for Wales, though

Michael Howard, who was at school in Wales, has been men-tioned. Walker is thought in the Principality to be doing

-

been one of the half dozen great judges this century so far. So we telephoned him to find out the rest of his list. "We've swapped our donor cards for price lists." Minister needed to keep him in on the grounds that he might be more of a threat to her on the back benches and her on the back benches and among young Tories in the country. It was the wish to keep him quiet that led her to make him first Agriculture, then Energy Secretary. She gave him Wales because, after the 1987 election, the party did not have a Welshman un did not have a Welshman up to the job. In fact, he was the first member of the outgoing Cabinet she consulted after the results and his accepting Wales was clearly crucial to Now, however, the view is that she can afford to dispense with him, and must dispense with someone in order to bring

There was also Lord Scrutton from an earlier period who clearly made a great impres-sion on the young Hailsham, or Hogg as he then was. Scrut-ton was born in 1856 and wrote ton was born in 1856 and wrote the Treatise on Law of Copy-right and and Law of Charter Parties and Bills of Lading. He was a great commercial lawyer, said Hailsham, and still active when Hogg started in 1932. He died in 1934. in 1932. He died in 1994. One of the best stories about Denning, incidentally, will always remain the time he was told that one of his judgments had been upheld in the House of Lords. "I still maintain I was right," he said. He also used to say of his have entry the bad all the long career that he had all the Christian virtues, except resignation. In that, of course, he was wrong. Resignation is not a Christian virtue.

### Sound advice

"What should you do when you are going to pass a cyclist?" a Berkshire driving instructor asked his middle aged learner. Without hesita-tion she replied: "Give him room to fall off in."

his job rather well, and we might start to hear more of him as the rumours of his imminent departure get

around

Good judges ■ Lord Denning, former Master of the Rolls, celebrated his 90th hirthday yesterday and Lord Hailsham was slightly less than unstinting in his praise of the man in an interview on BBC Radio 4. But he did go on to say that Denning had efficiency. The former Lord Chancellor said that he had been speaking mainly about the post-war period and had not given the matter his considered thought. The first names that came to mind were Lords Reid, Wilber-force and Diplock.

two-pronged response to the twin con-The RIC Collection A Tradition of Excellence A range of essential business gifts combining elegance with Send for your FREE FT Collection catalogue. Write or telephone the FT Collection, 7th Floor, 50-64 Broadway, St James, London SW1H 0DB. Tel: 01-799 2002.

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## LETTERS

## Explaining broad money

From Mr Tim Congdon. Sir, Mr Glenn Hoggarth

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(Letters, January 20) wonders how broad money can explain recent inflation trends, when the growth rate of bread money has been so much above the inflation rate. There are, in fact, several reasons for not expecting a precise relationship between broad money growth and the inflation rate. The first is that extra money

is needed to match more output as well as higher prices. If the trend annual rate of output growth in the UK in the mid-1980s is put at about 3% per cent, and the growth rate of broad money had been exactly equal to that of output and inflation combined (that is, of nominal GDP), an inflation rate of about 5 per cent would have been associated with broad money growth of about 8

per cent or 9 per cent a year. The second is that the amount of money people and companies wish to hold may increase more quickly or slowly than nominal GDP because of institutional developments in the financial system and changes in the attrac-tiveness of money compared to other things. During most of the 1980s such considerations seem to have been increasing the desired ratio of broad money to nominal GDP hy about 3 per cent or 4 per cent a year. With inflation of about 5 per cent, people and companies were therefore satisfied with their own money holdings

### No waste

From Mr B Higgs. Sir, Mr Baize asks for financial support to the agricultural community to be de-coupled, with social needs being met by social grants rather than by artificially high commodity prices (Letters, January 19). Efficient farming can be car-

ried on with full regard for the environment. Research shows that fertiliser applications can be related closely to yield. In other words, optimum nitrogen applications are fully taken up by the crops. Farmers appreci-ate that to over apply fertiliser is to waste money.

B Higgs, The Fertiliser Manufacturers From Mr Andrew Jeffery. Sir, Following your report, "Car makers offer dealers bonns for hitting targets" (Jan-uary 17), it appears that the Association Ltd, 90-93 Councross Street, EC1

### Absorbent

volume car manufacturers are encouraging dealers to give discounts to boost sales vol-From Mr P.D. Stephenson Sir, We are rearing our 11th litter of Golden Retriever pup-pies on a bed of newspaper. On behalf of the puppies may I say that while they do not neces-THE manufacturers should decide to choose this route, as it only leads to greater depreciation, lower standards of after-sales

while broad money was grow-ing at about 11 per cent to 13 per cent a year. This was, indeed, the growth rate of MS for roughly four years from mid-1961 to mid-1965.

But it is possible for actual money holdings to be higher than desired, with e sudden jump in the growth rate of inflation and/or deteriorating external payments. I am very grateful to Martin Wolf (Janu-ary 13) for acknowledging that bank deposits reflecting a surge in bank credit. The econsurge in cank create. The econ-omy then has "excess liquid-ity". Companies, people and financial institutions find that they have more money than these forecasts were substanthey expected, and they change their behaviour. Most obviously, they spend a

Most obviously, they spend a higher proportion of their income (that is, the savings ratio falls) and are more eager to purchase assets such as houses, shares and property. As a result, the prices of these assets are bid up, strengthening the incentive to invest. In due course the excess liquidity leads to a boom.

There is no way of telling exactly how much excess ful effects on economic activity and intensity inflation pres-sures. Mr Wolf was quite right to point out the contrast liquidity the economy can stand before the boom runs out of control. In the Barber boom of the early 1970s the ratio of broad money to GDP rose by almost 30 per cent in two years between the wrong consensus forecasts and our (mostly) accurate forecast. There seems before the Government real-ised that there was "too much to be something fundamental here, as the consensus forecast-At any rate, by late 1986 it seemed to me (and my former ers - who tend to neglect monetary variables - were even more badly wrong in the colleagues in the economics team at L Messel & Co. and Shearson Lehman) that there had been a well-defined accelforecasts they made during and after the Barber boom.

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Tim Congdon, 68 Alderney Street, SWI.

OK, GUESS HOW MANY FAULTY

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Suggesting a better deal

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better to stimulate car sales by

other means? Providing higher standards

DOOR CATCHES IN THIS BOX AND

I'LL KNOCK OFF THE 1850

### Wider share ownership eration in broad money growth

from that seen in the stable 1981-1985 period. The economy was about to enter a phase of excess liquidity, which would initially be accompanied hy hnoyant asset prices and above-trend growth, and would later ha followed by be seen From Mr S.M. Yassukovich. Sir, The Lex column of Janu-ary 18 and your leader of Janu-ary 19 make important contrihutions to a constructive debate on the question of pre-emption rights. However, both have missed later be followed by rising

an important point regarding the relationship between this question and the issue of wider share ownership. Greater flexibility on pre-

emption will not in itself con-tribute directly to wider share ownership. The point is that such flexibility would be needed to allow for reform in the needed to allow for reform in tially correct. The forecasts were not mechanical extrapolations from recent M3 figures. They involved considerable judgment and analysis, as well as the new issue system which would after an opportunity to companies to achieve greater balance in share holder regis-ters by directing new issues of equity to individual shareholdmuch attention to non-mone-tary variables. It is neverthestrange that we were virtually the only forecasters to believe that the rise in M3 growth from the 11 per cent to 13 per cent level of the

There are currently no tech-1981-1985 period to the more recent 15 per cent to 22 per cent range would have powerniques for distributing new issues widely among more shareholders in the UK hut these do exist in the US and in some European countries, notably France

In 1988 my firm raised nearly \$7.5bn through \$2 new issues of equity in the US and world-

Approximately 54 per cent of the shares which we placed were with individual shareholders largely at the specific request of the issuing com-

excludes two large funds of over \$2.2bn in total, all of which were placed with indi-

vidual investors. In a large global equity capi-tal issue for Citicorp (approxi-mately \$1.2 billion) sold both in the US and internationally, 71 per cent of the US tranche was placed with individuals and 42 per cent of the international tranche was also directed away from institutional shareholders in keeping with the issuer's

learly not the case that less holders' interests.

It is important to note, how-ever, that a great many constraints currently exist which frustrate the development of wider share ownership.

of customer care, realistic retail prices, better level of standard equipment, more effective marketing of the prod-uct benefits, enhanced product quality, improved customer Notable among these are the fiscal bias in favour of collective investment schemes and the absence of large securities distribution networks.

contact and research, and more. professional dealer activity are ... The question of pre-emption... rights is a relatively minor and indirect aspect of a complex question but nevertheless some examples, Surely this would be more beneficial to the consumer, the ng exar

s it possible that the Brit-ish and Americans are more concerned about the freedom and unity of Ber-In than the West Germans are? That seems prima facie implausible, but it is a conclu-sion one might draw from the speeches last week at the final session of the Vienna follow-up meeting of the Conference on Sandtin and Conference on Security and Co-operation in Europe (CSCE). It was Mr George Shultz and Sir Geoffrey Howe who singled out the Berin Wall as a symbol of the arbitrary divisions and restric-tions in Europe which the CSCE is designed to overcome. "An inhumane structure. The sort of thing that has to come down," said Mr Shultz. "The most public symbol of the divide between freedom on one side and its denial on the other. It mocks all our work to remove barriers to human con-

tacts and understanding," said Sir Geoffrey. There is no reason to think that Mr Hans-Dietrich Genscher does not agree with every word of those state-ments. Indeed there are very good reasons to think that he does, and that the removal of the Wall is one of his long-term the Wall is one of his long-term objectives. But he did not choose to emphasise it in his Vienne speech, even though he took a tougher line on human rights in general than his Western critics had expected; and even though there are elec-tions in West Berlin next Sun-day which one might have day, which one might have thought would give him a good

party political reason to stress the Berlin issue. There is a longstanding Western phohia that the Soviet Union will tempt West Ger-many into neutralism by dangling the carrot of German reunification. The year before

last some commentators were even suggesting that Mr Gorb-achev's next factical masterstroke might be to pull down the Wall, or to offer to do so. But so far he has done nothing of the sort, in fact quite the opposite. While Chancellor Kohl was received in Moscow last year with conspicuous warmth, his plea for German unity was firmly, almost brusquely, rebuiled; and in a recently published survey" of Soviet policy towards West Germany, the theme of which is that Gorbachev is playing skilfully on West German sen-

sibilities to prevent West European military integration and to limit West Germany's con-tribution to common Western defences, there is a conspicuous lack of any reference to Berlin, East Germany, or German remification. Any questions about the Ber-lin Wall addressed directly to

the Kremlin are promptly

### FOREIGN AFFAIRS

# Bringing down the Wall

Edward Mortimer asks whether Western calls to end the Berlin divide are more than rhetorical parade of respect for the "sov-ereignty" of East European sat-ellites when they are violating human rights seems thor-oughly disingenuous, given past Soviet treatment of that

returned to sender with the inscription "try next door." Since the creation of the Ger-man Democratic Republic (GDR) in 1949, East Berlin has functioned as its capital and has been treated as such by the Soviet Union. Whether or not the decision to build the Wall in 1961 was taken in Moscow (it must certainly have been approved there) it was, for-mally, a decision of the GDR authorities, carried out hy units of the GDR Volkspolized

past soviet freatment of that sovereignty in practice; espe-cially so in the case of the GDR, an entirely artificial state which owes its very existence to Soviet fast. The trouble is that the West itself has long since sold that particular pass. All Western countries, includ-ing the three Western occupy-

There is a Western phobia that Moscow will tempt Bonn into neutralism by dangling the carrot of German reunification

and "Combat Groups of the

working class." It is true that subsequently, in the 1971 Quadripartite Agreement, the Soviet Union confirmed that Berlin as a whole remains the responsibility of the Four Powers which occupied it in 1945, and con-firmed the right of West Berli-ners to visit both East Berlin and the GDR. But it continues to treat East Berliners as citizens of the GDR, over whose rights and freedoms the GDR anthorities have sole jurisdiction.

In Vienna last week Mr Eduard Shevardnadze confirmed that that position has not changed. The Berlin Wall was not a matter for the CSCE, he said. "Every state builds its frontiers as it considers necessary, and one must proceed from that. One must respect the sovereignty of states." To the West this Soviet

ing powers in Berlin, have

recognised the GDR and estab-lished their embassies to it in East Berlin. Their nationals go back and forth through the Wall every day, showing their papers to East German border guards. To all intents and purposes they accept that East Berlin is part of the GDR and that the Wall is an East German phenomenon.

The general Western attitude is that that is a pity. If only nice Mr Gorbachev were in direct control, we tend to think of course he would pull down that nasty Wall. What a anything about it without betraying his own principles. The attitude of West Ger-

mans, and perhaps especially of West Berliners, is subtly different. Of course they are as

enthusiastic as anyone about the Gorbachev phenomenon, and more inclined than most to draw optimistic conclusions from it about the future of central Europe. Of course they are very well aware that Mr Honecker and his comrades are a bunch of incorrigible old Stalinists who want no truck with perestroika or glasnost. But they are also much more aware than, say, Britons or Americans, that while the Soviet attitude to Berlin remains rigorously unchanged, the East German attitude has changed and is probably still changing in many small but practical ways which have con-

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siderable significance for the day to day life of the city. This point was stressed by Mr Eberhard Diepgen, the Governing Mayor of West Berlin, when he spoke at a Royal Insti-tute of International Affairs lunch on a recent visit to Lon-don. Among the latest exam-ples he cited were agreements on a joint electricity grid, and on cultural and scientific exchanges. Broadly speaking, it seems that Honecker and Co have given up trying to isolate West Berlin or squeeze It into submission, and are treating it instead as a channel through which tourists and other bearers of hard currency can be attracted into the GDR.

The Wall itself remains an ugly and offensive gash across the middle of the city. But it is no longer the scene of the bloody and tragic incidents which cost 72 people their lives in the 1960s, because for East Germans to get to the West is dermains to get to the west is no longer so difficult as to be worth risking their lives. It could probably now be pulled down and replaced hy a less menacing frontier fence with-out making much practical dif-

But West Berlin is going to remain a Western enclave inside Eastern Europe. That was decided in practice in 1949, and what is surprising if any-thing is that the GDR survived for 12 years after 1949 before it got round to plugging such a large, wide open gap in its physical frontier. The offensive anomaly of a carefully con-trolled state frontier dividing a city in two is likely to remain for some time yet - for as long, in fact, as Europe remains divided into East and West, When Mr Shultz and Sir Geoffrey Howe call for Its shame that his predecessors removal they are in fact calling handed East Germany over to for the end of that division, horrid Mr Honecker, so that which would probably also now Mr Gorbachev can't do mean the end of the existence anything about it without of the GDR. \* Bonn and Moscow: A Part-

nership in Progress? By Robbin Laird, Institute for European Defence & Strategic Studies, £4.50.



pany. This percentage even

desire to broaden ownership among individuals. The critical aspect affecting rights of shareholders is the question of dilution and it is rigorous enforcement of rights of pre-emption must necessarfly involve dilution of share-

Samiy Dind vo paper th absorbing by content of the quality papers, it is undoubt-edly the most absorbent. P.D. Stephenson Sheep Street Lane Etchinghum, East Sussex

care, reduced manufacturers' profits and reduced dealer margins If the car manufacturers insist on chasing market share and volume, would it not be

I fail to understand why the

dealer, the manufacturer and the nation. Andrew Jeffery, 5 Castlewood Crescent, Fulwood Sheffield

tion. S.M. Yassukovich, Merrill Lynch Europe Ltd, Ropemaker Place, 25 Ropemaker Street, EC2 - - -

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## Zambian agricultural production should benefit rural dwellers

### From Mr Adrian Wood and

Mr Stuart Keon. Sir, Nicholas Woodsworth's article, "High tech irrigation opens Zambian locks" (Jannary 13), presents a very one-sided view of the Gwembe Valley Development Compa-

ny's scheme. The article ignores the fact that the goal of increased agri-cultural production must be the improved welfare of all families provide wirel dwelfare Zambia's people, rural dwellers

as well as urban. Indeed the article suggests that the goals of production are to satisfy the needs of the urban population: specifically wheat to provide bread for those in town, and cotton to earn foreign exchange for imports required primarily by the urban economy.

No attention is paid in the article to the project's impact on the Gwembe Tonga and the

cost they are paying for a scheme which benefits them little. No mention is made of the fact that 1,000 families were required to give up their land, and face a second relocation within a generation. (Their first upheaval was due to the Kariba dam, another scheme which served the mhan economy and deprived the Tonga of valuable alluvial Such a situation could pose e threat to the project's long-term viahility which land.) The project assumes that

envisages expansion to twice ation and employment compe opportunities are adequate recthe present size. ompense for further land alien-Production of cotton through ation, but there is insufficient unused arable land within the such schemes is also question-able when their foreign exchange costs are higher than those of small-scale producers. district to support the displaced farmers, while that which is available has lower Indeed the development impacts of small-scale agricul-ture, in terms of multiplier

fertility. The article bemoans the failure of farmers in the area to take up the wage opportunities offered by the scheme. Yet with employment opportuni-ties so limited and variable in Zambia today there are very faw farmers who are prepared scale schemes. Outgrowers around the nucleus estate could have produced such benetits.

to-give up the relative security of producing their own food. Indeed the relocated villag-ers have been hostile to the While Zambia's difficult eco-nomic situation forces it to look for overseas capital in order to finance much of its development, schemes such as GVDC'a are not the only scheme which has undermined their security, and it has suf-fered several sabotage attacks. option.

Greater attention should be paid to using the skills and resources of foreign agricultural companies to support the development of small-scale producers, through initiatives such as improved service pro-vision, thereby creating more widespread development. This can still produce profits hut with lower costs borne by the local communities. Adrian Wood,

Huddersfield Polytechnic Stuart Kean, effects and improved rural incomes, are generally much greater than those from large-University of East Anglia.

## Correcting the defects of EC dumping regulations

From Mr Brian Hindley. Sir, When high officials ohfuscate, ordinary citizens should keep a tight grip on their wallets. Mr Krenzler (Letters, January 19) argues against the notion that "no dumping should be found aumping should be found when a Japanese producer markets its product at identi-cal prices in both Japan and the Community". But the grounds on which he rejects that apparently innocuous proposition are specious.

Everyone agrees that dump-ing calculations should take account of "ocean transport, insurance, handling, customs duties and so on."

In the context of a debate about the merits of anti-dumping methodology, it is therefore sensible to set them on one side so that matters of central concern can more easily be addressed.

The numbers in my article (January 6) are intended to be read as net of all of these factors. I should have been more explicit. It did not occur to me that the point could be misunderstood.

Mr Krenzler's second ground for rejection lies in his asser-tion that the marketing compa-nics of Japanese manufactur-

. .

ers have different functions in Japan and the EC. In my example, however, the EC and Japanese marketing companies have exactly the same functions and the EC methodology still produces a 30

per cent dumping margin. Alternatively stated, the defects in the EC methodology remain when the differences in the Commission - they prefer to wander around the top floors of the Barlaymont, tellfunction alleged by Mr Kren-gler are accurately taken into account Simple numerical examples

have as many potential advan-tages for one side of this dis-cussion as for the other. I claim that with my numbers, are derived. the EC methodology will produce a dumping margin of 30

per cent. That is a precise proposition and it is open to Mr Krenzler to say that it is wrong: that I have, for example, neglected a provision of this or that article, or an element of procedure place.

that, when taken into account, produces the warranted dumping margin of 0. That Mr Krenzler does not do that, but concantrates architects. instead on peripheral issues,

The EC has been experimenting with its new anti-dumping policy for the past four or five might be taken to be obscurantism. But perhaps it is not. Peryears, at first cautiously, now with more confidence - and haps the higher echelons of the

with correspondingly higher Commission actually do not Commission actually do not recognise the biases in the EC methodology. I have conjec-tured that the Commission thought that it could conceal its new protective device in a cloud of technicality. Perhaps the same cloud con-ceals it from senior members of the Commission – they prefer anti-dumping margins and duties. Fortress Europe's ramparts have not yet appeared in their full majesty. They inevitably will if EC anti-dumping policy

continnes on its present

Course. If Asian exporters are sure that they will be hit by anti-dumping duties if they sell in the EC at non-dumped prices, ing one another that EC antithey will charge higher prices than that (which may explain the failure of the Commission domping policy is "incontest-ably the most liberal in the world", while at the same time to find dumping in the cases ignoring the mechanics of how referred to by Mr Krenzler). If those useful dumping margins they do not raise their prices by enough, their aggrieved Community competitors will Mr Krenzler could have saved his staff the trouble of suggest that they do - and, backed up by credible threats of anti-dumping action, that is not a suggestion to be taken gathering the statistics in the first part of his letter had he read my article more carefully. I do not anggest that the Asian-facing ramparts of For-tress Europe are already in

lightly. Mr Krenzler rejects the idea of Fortress Europe. Were he to place his very considerable influence behind an effort to I suggest that manipulation of anti-dumping policy is the foundation stone for ramparts correct the defects of current EC anti-dumping regulations, that rejection would acquire that are still in the mind of the more substance.

Brian Hindley, Trade Policy Research Centre, 1 Gough Sauare, Fleet Street, BCA,

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## DENT SONAR AHEAD OF SCHEDULE Manufacture and assembly million, to build two production

Three months ahead of schedule and within target costs, Plessey has delivered the Sonar 2054 prototype system for the Royal Navy's are being undertaken at Trident submarine progra

The pre-production system is almost complete and is system and the manufacture of expected to be delivered by the a prototype and pre-production target date. system.

Valued at more than £100 The project is being is one where a supplier gains million, the incentive-based managed by Plessey at Bath, extra profits if the price is kept Valued at more than £100 Sonar 2054 development with development work taking contract was awarded to

place at Templecombe in Plessey in December 1983. Somerset.

MAJOR SATELLITE COMPONENT ORDER

A major order for two million microwave field-effect transistors for use in Astra directbroadcast-by-satellite rece TYCES. has been won by Pleasey from Cambridge Computer. The order follows the successful completion of a

microwave receiver design programme undertaken by Plessey at its plant in Towcester collaboration with Cambridge Computer.

### VOLUME PRODUCTION

Plessey is the only volume European producer of FETs capable of handling orders of this magnitude.

The Astra receiver will be the only one on offer in Europe based entirely on European microwave technology and devices. The Cambridge Computer

system represents a technological breakthrough that will enable the company to sell at a price considerably lower than any current offering, whilst maintaining high perform-ance and quality. The system

by March.

GALLIUM ARSENIDE collaboration with and US competition. In Cambridge Computer, Plessey

Plessey also expects to expects to be switching to provide for each receiver a gallium arsenide monolithic silicon decoder chip and a

systems. Newport, Gwent. It covers development of the from the Trident contracts in

Strat 4153

EXTRA PROFIT terms of technology and costs are being passed on to other An incentive-based contract

1.78

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Plessey sonar systems. This will make them more extra profits if the price is kept marketable to the world's below an agreed target figure. navies and help secure the Plessey also has fixed-price position held by the company as contracts, each worth about £20 a world leader in sonar systems.

> PLESSEY CHIP **KEY TO EFTPOS** SECURITY

Many of the benefits gained

A very high-speed microchip has been developed by Plessey for use in public key encryption and anthentication processing for fmance and corporate networks. Its first application will be in the security subsystems Plessey is supplying for EFTPOS - the UK system for national electronic funds transfer at the

point of sale. These security subsystems protect transaction messages against accidental alteration and deliberate fraud by gencrating a digital signature at the retailer's terminal.

EFTPOS, which will go live this year, will be the highestperformance public key-based secure network in the world. It is already attracting interest from other countries.

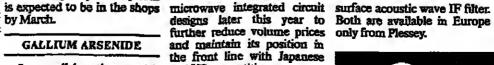
In supplying the EFTPOS security subsystem, Plessey will be drawing on its extensive experience of large software systems, engineering contracts and associated security hardware.

The company provides commercial, governmental and military users with a range of systems for secure military and paramilitary communication by radio, telex, facsimile and data and for computer network access control.

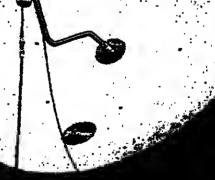
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neuration direct-broadcast-by-satellife receiver undergoing tests

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# FINANCIAL TIMES

Tuesday January 24 1989

## **Troops defeat civilian rebels at Argentine barracks**

### By Our Foreign Staff

ARGENTINE troops yesterday regained control of an army barracks near Buenos Aires after four hours of heavy fighting against civilian insurgents who had earlier stormed the

According to a local news agency, between 20 and 30 peo-ple died in the fighting. An offi-cer on guard outside the La Tablada barracks said most of the rebels - estimated by police at about 50 and including several women - had been "eliminated". een "eliminated". The rebel group, calling A spokesman for President Raul Alfonsin called the insur-

itself the "New Argentine Army", stormed the Third Infantry Regiment base at La Tablada shortly after dawn. It gents "delinquents". Pamgents "definitions". Fam-phlets scattered by the group said it supported the leaders of three failed army rebellions over the past two years. The pamphlets said tha group had been formed to "combat Marxist subversion" and broke through the main gates in a stolen Coca-Cola lorry and threw granades at huildings

where soldiers slept. Three huildings were set on

fire, including a military prison where several armed forces officers convicted for

human rights violations are serving sentences, and a radio

tower was shot down.

"combat Marxist subversion within the government" and was against "the Radical [gov-erning party] campaign to destroy the army". Speculation was divided over whether the rebels were sup-porters of Col Mohamed Ali Seineldin, who staged a mili-tary uprising in early Decemthe Tenth Mechanised Infantry brigade arrived to suppress the rebels at 11am and fighting intensified after noon as troops supported by mortar fire and

armoured cars moved against the insurgents. As the firing intensified, police ordered civilians to evac-

uate the streets surrounding the base. Police and onlookers ber, or whether they were leftwing extremists. Col Seineldin, however, dis-

were forced to dive for cover. tanced himself from the rebels, Radio reports quoted him say-ing he knew nothing about the At the outbreak of the crisis the guard was increased at Casa Rosada, the presidential insurgency. Police and army troops of nalace.

Cabinet ministers on holiday Cabinet ministers on honday at the Argentine resort of Tina-mar, including Mr Horacio Juanarena, the Defence Minis-ter, Mr Dante Caputo, the For-eign Minister, and Mr Juan Sourraille, the Economy Minis-ter, flew back to Buenos Aires when they head to including the incluwhen they heared of the inci-dent.

Dali: surreal in death as in life

Peter Bruce reports on the financial intrigue of an artistic legacy

COURTEEN days from now, the last will and testament of Salvador Domingo Felipe Jacinto Dali Domenech Casi y Farres will be opened by a notary, proba-hly in the small Catalan ham-let of Pubol, the site of a run-down for trees he remained for down fortness he repaired for his late wife Gala. Dali, the world's most pro-

lific surrealist painter, died yesterday morning in a clinic in nearby Figueras, where he was born 84 years ago. He leaves in his wake probably the most turbulent history of any Spanish artist this century and the opening of the will is not likely to mark the end of it.

For the past six years Dali has been virtually bed-ridden. But his penchant for the grotesque - long hair, waxed moustache and funny clothes - was suddenly made real when one saw pictures of an emaclated figure, usually being lifted into amhulances, with feeding or oxygen pipes up his nose while his long fingers play limply about his sheets.

Controversy surrounds his three minders, who have made it virtually impossible for any-one to see him since he first took to bed in 1982 after Gala died. They are led by a French photographer, Mr Robert Des-charnes, who first met the painter 40 years ago. And they have been accused by art col-lectors in the US and Europe of endangering Dali's fortune while also trying to secure the intellectual rights to all his work until the year 2004 through a Dutch trust, Demart Pro Arte, which they adminis-ter. Mr Descharnes has always claimed to be doing the artist's hidding. The trust is in financial difficulty, Mr Descharnes has admitted, largely because of the costs involved in chasing down hundreds of Dali forg-eries. In 1987, the trust spent \$1.2m alone in court battles. A \$12m bank account in New York is said to have dwindled to almost nothing. The three guardians came under particularly heavy criticism in 1984 after a mystery fire broke out in the tower of the Pubol castle where Dali had closeted himself. The painter was badly burned but was only delivered to hospital and Miguel Domenech, are esti-19 hours later, after being mated to be worth several mil-



after the fire, he greeted her with the words: "Get out of here, you old lesbian." The trouble with Dali's leg-acy is largely of his own mak-

He was naive and gentle, but driven by the need to finance his florid lifestyle and the apparent greed of his wife, who tormented him to encourage him to work. About 20 years ago Dall began signing blank sheets of paper under tha impression that the sheets would be used to print signed hipteside be used to print signed lithographs of his work. One former secretary, Mr John Moore, has said Dali signed more than 350,000 hlanks.

It was never clear what would be printed on the blanks but their existence and thousands of forgeries - Mr Moore once counted 678 different "Dali" signatures - have "Dali" signatures - have ruined the value of his work on the market. He painted or drew more than 10,000 pictures in his lifetime and the Spanish forger Mannel Pujol once testi-fied that he forged hundreds of Dali's paintings at Cala's Dali's paintings at Gala's behes

Mr Giosseppe Albaretto, an Halian collector who claims to own the world's biggest private Dali collection, said yesterday that even Dali's signature on the documents giving Demart rights to his work in 1986 is false. He insists that Dali gave him rights to reprint the sub-lime El Cristo del Valles when he bought the work, and that Mr Descharnes has since tried to sell the rights.

Gala's own will forms part of the row that will break out in two weeks' time. She had no time for Mr Descharnes and

## Peru faces austerity measures, says Garcia By Veronica Baruffati

in Lima PRESIDENT Alan Garcia of Pera has warned the country that it faces drastic austerity measures if it wants to restore relations with the Interna-

meas

Unigate

tional Monetary Fund and World Bank to gain access to fresh loans. cent fall in 1988 earnings already expected and 5 per cent more in 1989, a further 10 per cent or so dilution from MBB is He said on Sunday that an IMF team would visit the country next week "to study the economy and propose a much tougher programma than the so called economic

cent or so dilution from MBB is particularly unwelcome. The shares are now at their lowest against the market for nearly five years, and in the longer term may be a screaming buy. But given the market's speed of response – not to mention the company's touchingly hon-est assertion that it plans a rights issue in the middle dis-tance – recovery may be some packages we have been hav-ing." He added: "It is difficult to talk abont the IMF, but, cost what it may, we have to

cost what it may, we have to salvage the economy." Pern has accumulated arrears of \$6m on its foreign debt and its performance has rendered it incligible for World Bank or IMF funds. The country has sought to mend fences with the multilateral institutions over the last few months, with secret contacts believed to have taken place between President Garcia and Mr Arjun Sengupta, a special representative of Mr Michel Candessus, the IMF managing director. tance - recovery may be some time off. Unigate's dairy sale to the Milk Marketing Board is fur-ther illustration, if it were

director.

paying twice asset value for a business which faces dwind-ling demand and rising compe-In a 10-minute television appearance on Sunday, Mr Carlos Rivas Davila, Peru's Finance Minister, reported on his recent trip to Washington, where he spoke to representa-tives of the international financial community. tition from imports. It is also hard to conceive of any other business in which a monopolis-

Mr Rivas did not clarify whether the Government had

agreed to make the symbolic o Mr Garcia also announced

an oil discovery in a jungle region with deposits estimated at 600m barrels, AP reports.

The discovery, he said, was by by Occidental Petroleum in La Colipa in Ucayali, north-east of Lima.

Occidental, Steven Butler adds, has drilled to a depth of 9,300 ft and encountered

encouraging signs of oil, but the well has not reached its

the well has not reached its target depth. It has yet to be logged or tested, making it impossible to determine whether oil exists in quantity or can be commercially pro-duced.

**Banks** intervene

Continued from Page 1 DM1.8380, compared with DM1.8435 on Friday, and at Y127.8 compared with Y128.25. In New York it closed at

to curb dollar

DM1.8310 and ¥127.45.

tic cartel would be allowed to extend its reach vertically through the distribution chain, in this case from 6 per can to financial community. He spelled out some of the 6 per cent of milk delive

THE LEX COLUMN Daimler moves down a gear

. . . .

### Yield ratio

The market was in no doubt yesterday that the latest in the

Smth Sterling Interbank yield divided by the FT-A All-Share

yesterday that the latest in the interminable Daimler/MBB saga was had news, but then it probably would have thought that anyway. Daimler may well be right to secure control of MBB at once, but shareholders could only see further earnings dilution, and conclude that an even bigger rights issue would be needed to pay for it. The 12 per cent plunge in 3.0 2.6 The 12 per cent plunge in Daimler's shares in the last Daimier's shares in the last three weeks has been a little like the company itself slow to start, but hard to stop once it gets going. Six months ago it was clear to many analysts thet earnings are on a falling trend until the new car model 22



teurs as the booksellers or the

comes to the rescue in 1990 or 1991. However, it was not until the Stutigart town council let For Unigate, the question is slip that Daimler's rates bill was shrinking - implying that its earnings were doing like-wise - that the shares got the partly whether it is stitching up the MMB as effectively as it did in its similar creamerics deal ten years ago. The imme-diate effect will be an increase In other circumstances the MMB deal might have been dressed up to look like a gift from the taxpayer to Daimler's shareholders, but with a 10 per in earnings, and its partial withdrawal from liquid milk, while retaining enough to be sure of supplying its dairy products business, looks tacti-cally sound enough. But in earnings terms, notwithstand-ing its long-term decline, the liquid milk business has the Inquia milk outsmess has the characteristics of a gilt-edged stock. In realising part of its portfolio, Unigate has yet to show that it can spend the pro-ceeds wisely. Yesterday's 9p drop in the share price probably had more to do with the market's indge-ment on Unigate's own

ment on Unigate's own chances of being taken over. It is not easy to follow the rea-soning: to the extent that it ing range. has swapped a problematic business for cash, the company is surely more attractive than Discount houses hefore

### Bank loyalty

After several years of waiting, London has finally got two brand naw discount houses — or rather one and a half, since Greenwell. Monlagu Gilt Edged has decided not to set up a special subsidiary. However, the scarcity of new applicants for what was once one of the City's most coveted titles mobably says far more Yesterday's comments from the Governor of the Bank of England on the rather touchy subject of banking relation-ships during takeover battles were presumably anodyne titles probably says far more about the general state of the financial markets than about enough not to upset such stäl-wart Bank directors as Sir Adrian Cadbury and Sir Hector Laing, whose companies are often touted as ideal takeover bait. Nevertheless, the Goverthe health of the discount mar-hat itself. If the discount mar-

ticular loyalty from their bank-ers. But there was a time, not so very long ago, when clear-ing bank boards were awash with the directors of their cor-porate customers because this was a good way of retaining their business. While the banks may doubtless argue that these days are long gone, there is days are long gone, there is still a suspicion that some banks are playing by their own set of rules. If the clearing banks were subject to the same threat of takeover occasionally, it would probably do wonders for their performance. Over the last 15 years, Barclays shares have underperformed the market by almost 50 per cent, whilst GEC's shares have outperformed by more than a Markets

terms cannot expect any par-ticular loyalty from their bank-

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Yesterday's uneasy wobble by the FT-SE suggests, as might have been expected, that the market is not yet sure of where it finds itself. Fund man-agers will still be torn between fear of being left behind and the temptation to lock in this month's 8 per cent gain by reverting to cash. The relation between short term rates and equity yields is creeping back to pre-crash levels, suggesting that the market is half-convinced that base rates are about to top out. This would not be inconsistent with a short-term setback after the recent remarkable rise; the question is whether the market shows in the process that it has indeed entered a new trad-

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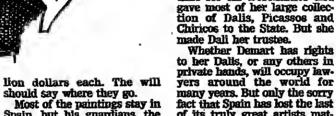
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dressed in a smoking jacket and a turban, and driven to the Figueras museum to inaugu-rate a memorial to Gala.

should say where they go. Most of the paintings stay in Spain, but his guardians, the But the remaining legacy is huge, possibly worth close to \$200m. Some of the 600 paint-Catalan Government, the city of Barcelona and the central Government all have more than a passing interest in the outcome. The only certainty is ings in the Dali museum in Figueras (where he is to be buried tomorrow), guarded by Mr Descharnes, Antoni Pitrot and Miguel Domenech, are estithat nothing will go to Dali's sister, Anna Maria, whom he disliked. When she sneaked past his guardians to visit Dali



yers around the world for many years. But only the sorry fact that Spain has lost the last of its truly great artists mat-tered yesterday. His hizarre private life, his dalliance with Franco and his appalling lack of care for his world years of care for his work were smothered briefly by hundreds of tributes to a gifted but essentially harmless old Catalan.

But this upward trend has

not been confirmed by the

results of recent municipal elections in the north. In most

have been taken as a reverse

opponents were divided among

**Obituary**, Page 13

to meet if it wanted to negotiate fresh loans which would include a symbolic payment of \$30m to the IMF as a token of goodwill to repay its debt. This would involve drawing up a shock economic pro-gramme, the main objectives of which would be to eliminate all subsidies; the unification of the official exchange rate in line with the parallel dollar rate, at present almost triple the highest official rate; an end to the indexation of wages; and the introduction of an austerity programme aimed at eliminating the fiscal deficit which equalled 15 per cent of Gross Domestic Product in

terms which Peru would have England and Wales. There is a clear suggestion of manoeuvr ing ahead of a possible

break-up or weakening of the cartel, which might include the flotation of the MMB's Dairy Crest subsidiary. But in the meantime, the power of the farmer to defy the normal rules of competition can only be envied by such relative ama-

needed, of the gulf separatinga-griculture and industry. It is

not merely that the MMB is

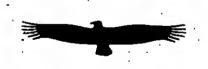
nor's words will provide some comfort for Barclays Bank, which is still smarting from all the adverse publicity it has attracted because of its aborted plan to help finance the break-up of GEC. There can be little dispute with the Governor's general message that corporate cus-tomers that flit from bank to

invited to apply for the job of glit-edged market-makers back in 1966, there would almost certainly have been dozens of applicants. However, there is a far more realistic attitude to risk and reward these days; and the Bank of England itself has probably learned the dan-gers of being too free with its licences.

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## Gandhi reviews local election setbacks

### By David Housego and K. K. Sharma in New Deihi

MR RAJIV GANDHI, the Indian Prime Minister, and leaders of the Congress (I) Party were yesterday busily reviewing the party's electoral prospects in the light of the two big reverses they suffered over the weekend.

In the southern state of Tamil Nadu, the regional Tamil party the Dravida Mun-netra Kazhagam (DMK) won more than two thirds of the seats in the new assembly with the Congress Party coming a poor third. In the central Hin-di-speaking state of Madhya Pradesh, Mr Arjun Singh, a for-mer close associate of Mr Gandhi, was yesterday replaced as Chief Minister after the High Court endorsed cor-

ruption charges against him. The one consolation for the Congress Party was that in the small north-eastern states of Nagaland and Mizoram which also went to the polls on Saturday, it was leading comfortably over its rivals yesterday. The focus of the Congress

Party strategy review was on

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how to regain the initiative after the weekend's reverses and before a general election due by the end of the year. The defeat in Tamil Nadu rules out an early poll. In previous times of trouble

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Mr Gandhi's instinct has been to reshuffle his Cabinet. This option remains a possibility. New Delhi has been full of talk New Delhi has been full of talk in recent weeks that Mr Nara-simha Rao will be replaced as Minister for External Affairs with possibly Mr S. B. Chavan, the Finance Minister, going as well. A Cabinet reshuffle could be imposed on the Prime Min-ister if he should choose a min-ister in the central Govern-ment to take over from Mr souib

Cabinet reshuffle risks being dismissed as a cosmetic ges-ture - and one likely to dimin-ish the efficiency of govern-

### ment because new ministers would barely have time to learn their jobs before a gen-

eral election. More worrying for Mr Gandhi, the defeat in Tamil Nadu is bound to raise questowns the Congress Party did not contest these directly. But the advances made by the tions among senior Congress leaders over his vote-winning capabilities. Tamil Nadn is by no means the first time that Hindn communal party, the Bhartiya Janata Party (BJP), for the Congress Party. For the Opposition, the main lesson to be drawn from the poll is that if their alliance Mr Gandhi has committed his personal prestige by campaign-ing intensively. In West Bengal the result was also a damp

poll is that if their simance holds firm they stand a good chance of defeating the Con-gress Party at the next elec-tion. In the last resort, the DMK gained a landslide victory in Tamil Nadh because its The questioning of his lead-ership is also likely to encour-age squabbling within the state Congress parties. Splits are currently undermining the local Congress Party leader-ship in Bihar, Maharashtra, Gujarat, and Madhya Pradesh. Mr Gandhi's strong point is that the Government's own

intelligence services have been reporting that in the Northern Hindi belt - where national elections are won or lost in India - his popularity has been on the increase since the

## ister in the central Govern-ment to take over from Mr Arjun Singh as Chief Minister of Madhya Pradesh. The disadvantage of switch-ing ministers is that Mr Rajiv Gandhi has done it too often to gain further political mileage from the exercise. A further Cabinet reshuffle risks being Since they formed the National Front coalition in September, the opposition par-ties have been incessantly quartelling over policies and leadership. Mr V. P. Singh, the Front's acknowledged leader,

has taken a firmer hold over his troops since the new year. Ъ 13

Continued from Page 1 sion of the notion of free competition to the outside world. Mr Henderson says the EC approach to reciprocity in the services sector "may in fact raise prohiems" with estab-lished OECD agreements in this area. It is also starkly in conflict with the non-reciprocal ¥ 6 approach to liberalisation of the services sector in the EC itself. The EC's expectations that the single market would serve "as a much-needed shot in the arm" for the world economy are going too far, he adds. The single market could,

## Attack on EC policy

### however, set in train an invest-ment boom that would lead Europe's current account balance of payments to swing into deficit which would be associated by a rise in the real excha nge rate.

themselves.

cerns about intra-European payments balances. "If not checked, the growth of these imbalances could pose prob-lems for the implementation of the single market."

3AJ. £7.

they were taking market developments a day at a time. The move by the central banks to intervene again yes-terday left many in the market speculating that further dollar sales by them could turn mar-het settiment describelly ket sentiment dramatically. This was on the basis that if traders could not buy the dol-

In general, however, they said the dollar was still well supported by the current structure of short-term inter-

est rates relative to others in the world.

rise. They said their interven-tion appeared to have been moderately successful and that they were taking market

lar because of central bank intervention then they would sell it.

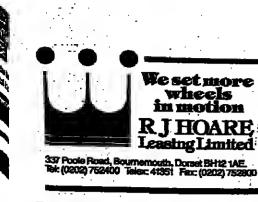
Prudential-Bache Capital Funding

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1992: The External Dimen-sion. The Group of Thirty, 32 St Mary at Hill, London EC3P

There are also policy con-

European monetary officials explained that their strategy was designed, in part, to remind the market that cur-rencies could fall as well as



## **FINANCIAL TIMES COMPANIES & MARKETS** Tuesday January 24 1989



### INSIDE

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### **Cash-rich Reed** rebuffs suitors



something Mr. Peter Davis (left), chief execu-tive of Reed International, knows only too well. Since it sold its manufacturing activities last year, the nouveau cash rich publishing and information group has faced a stream of eager suitors and mendicants.

Sudden wealth can be

an enormous burden:

Mr Davis has had to learn the gentle art of say-ing no more often than maybe, even if this has frustrated an axcitement-hungry City, reports Raymond Snoddy. Page 24

### Spark for Brussels reform

In Brussels this morning the curtain will go up on Cats --- not the Andrew Lloyd-Webber musi-Cal but the long-planned alectronic trading sys-tem designed to breathe new life into the local bourse. Page 23

### **DSM takes specialty** route into the 1990s



Government is sell-ing one-third of the ate chemicals giant DSM in a move which is expected to raise about Fi 1.4bn. Peter Marsh looks at the company's pros-pects and explains

how it has been trying to move into more specialised areas which are thought to offer better margins and growth during the 1990s. Page 20

### Gold Fields digs deep to fend off Minorco

Consolidated Gold Fields, the UK-based diversified mining group, has so far spent nearly \$20m fighting off the hostile approaches of Minorco, the South African-controlled Invest-ment company. And the bill will go on increas-ing because the bitter corporate battle between the two companies is moving into a critical phase, reports Kenneth Gooding. Page 25

### Wind of change blows through UK dairies The news of a £126m deal between two of



Britain's biggest dairy companies -Dairy Crest and Unithe EC's introduction of milk quotes in 1984 is now having a big effect on the dairy industry, reports Bridget Bloom. The reduction of the skimmed milk powder stocks have radically changed the cilmate in which dairy companies operate, and further changes are in the offing. Page 28

## London listing for **Sumitomo Bank** By David Lascelles in London

SUMITOMO BANK, Japan's largest in terms of profits, obtains a listing for its shares on the London Stock Exchange today. This means that Japan's five largest banks are now

Φ

Mr Hiroshi Mineoka, senior sanging director, said his bank wanted to achieve wider recogniwanted to achieve which income tion in the European market, which he described as one of its major areas of planned expan-

He said Sumitomo had no immediate need for equity capi-tal because it was in the process of raising the equivalent of nearly \$1bn through a series of convertible issues. However, analysts believe that Japanese banks will require substantial amounts

of new funds in order to abide by tha new international capital regulations.

Sumitomo's main international ambitions were to strengthen its position in the Asian, European and American markets, mainly in the area of wholesale and investment bank-ing, said Mr Mineoka. There was

ing, said Mr Mineoka. There was no intention to develop retail banking outside Japan. The listing is being sponsored by S.G. Warburg Securities, Daiwa Enrope, Sumitomo Finance International and Metho Europe.

which Sumitomo intends to be

Dai-Ichi Kangyo .

smooth. The bank has a reputa-(

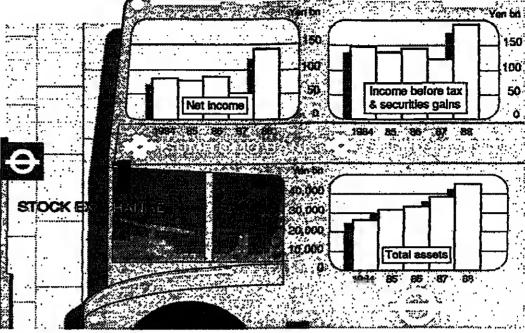
tion for being aggressive and, more than other Japanese banks,

it piled into third world country

ublah

Fuji .

In recent months London list-ings have been obtained by Dai-I-chi Kangyo Bank, Fuji Bank, Mitsubishi Bank and Sanwa



# Japanese giant with universal ambitions

Ian Rodger on Sumitomo's aggressive approach to a new era of international banking

S umitomo Bank, one of the giants of Japanese banking, is limbering up for a new era of competition with European and American rivals, and the tremors will be felt around the world,

The bank, which obtains a listing for its shares in London today, is already the second larg-est in the world in terms of assets, and, by most measures, is the most international of Japan's the base with a measures of the second secon big banks, with a reputation for aggression. It counts among its customers 160 of the Fortune 500 list of top US industrial compa-nies, more than any other Japa-Year to March '88 Sumitomo

nies, more than any other Japa-nese bank. It also has a much stronger position than them in the UK, with a customer base similar in size to that of the big, long established Swiss banks. Now Sumitomo, which two months ago regained its title as the most profitable of Japan's big commercial banks, is aiming to be a universal bank, says Mr

commercial banks, is aiming to be a universal bank, says Mr Sotoo Tatsumi, its president. In a rare interview, Mr Tat-sumi predicted that Japan's financial industry, now rigidly separated into securities and var-ious banking divisions, would be completely opened within the next two years, giving way to a system of universal banking simi-lar to that in Western Europe. "Our system has to be harmon-

loans in the 1970s only to find that they were not such a good idea. It still has Y370bn (\$2.8m) in outstanding loans to develop-ing countries and would rather

one. "Sumitomo is focusing on all markets," he said. And there will only to be told by the US Federal Reserve that it could not develop close relations with the leading

**Gross Profits** 

Amount Ym

556,120

523.282

493,516

448,307

439,599

partnership in Goldman Sachs, same period of the previous year. However, Mr Tatsumi does not appear to be too dazzled by the prospects in this sector. Many

in Tokyo.

JAPAN'S LEADING BANKS Profits from International business Percentage of Amount Ym gross profits 106,219 19.1 14.2 18.5

month, said then that the bank aimed to regain its profitability 19.2 title within three years. However, within only a few months, it started to see some benefits from

its troublesome acquisition. Still, the Japanese financial community was startled two months ago when Sumitomo said that it had regained its title more than a year in advance of its forecast. Its net income in the first half of the current fiscal year had more than doubled to Y47bn.

Commission revenue at Merrill Lynch falls by 33% By Roderick Oram in New York

MEBBILL LYNCH, holding company for one of Wall Street's largest firms, suffered a 33 per cent drop in its commission reve-nne last year, reflecting the evaporation of business from retail clients in the wake of the 1987 stock market crash.

However, it was able to report bigher earnings, thanks to a hefty increase in profits from trading on its own account, higher investment banking fees and a large special gain. Mr William Schreyer, chair-

Mr William Schreyer, chair-man, said the firm also benefited from diversifying away from the retail investment business. The strategy "once again paid hand-some dividends as our capital markets business made substan-tial progress in debt underwriting, trading and strategic services

Net profits for the fourth quarter ended December were \$275.8m, or \$2.69 a share, against a restated \$1.5m a year earlier. For the full year they were \$463.2m, or \$4.29, against \$335.1m, or \$3.07. Revenues were \$2.85bn against \$2.35bn in the quarter and \$10.55bn against

\$9.88bn in the year. However, the latest full year and quarter figures included an after-tax gain of \$254.7m from the ending of an employee bene-fits plan and a charge of \$44.4m for closing, shrinking or merging some domestic and foreign operations. The year-earlier fig-ures included after-tax gains of

\$249.6m from disposals. Operating costs increased less than 2 per cent during the year, excluding special items. Principal transactions by the

mpany on its own account doubled to produce revenues of \$1.5bn in the year, The jump reflected "strong fixed income trading, including governments and agencies, corporates, municipals and interest and currency exchange revenues."

Commission revenue simpled to \$1.6bn in the year from \$2.4bn, while investment banking fees rose to \$1.18bn from 5996m. Interest and dividend revenue increased 16 per cent to \$4.07bn.

the growing i principal transactions to the financial performance – good and had – of Wall Street firms has been underscored by two recent announcements. Bear Stearns reported sharply higher profits, reflecting in part healthy profits from its own accounts. In contrast, Sheason Lehman Hut-ton said it would report a \$70m pre-tax loss in the fourth quarter on securities in an ailing Texas bank it had underwritten.

HOUSE

be larger numbers of specialised and regional financial houses. He also believes the coming US investment bank. shake-up could create some opportunities for foreign banks which have been frustrated until now in attempting to expand in the close knit Japanese market. Sumitomo's international expansion has not been entirely

Stymied for now at least on that front, the bank has gone

ahead to develop an investment banking business independently, mainly through subsidiaries Sumitomo Bank Capital Markets in New York and Sumitomo Finance International in London.

Per cent

increase

27,6

8.6

8.4

12.5

plunged 30 per cent to Y57.4bn mainly because of the Heiwa analysts think friction may develop between Japan and West-Sogo takeover. In the following ern countries this year over year, Sumitomo, in common with mergers and acquisitions because of the near impossibility for for-eign companies of acquiring busiall Japanese banks, enjoyed a huge surge in profits, thanks to Japan's booming stock, bond and nesses in Japan. Sumitomo was in the spotlight on this front real estate markets, but the drain from Heiwa Sogo continued, and the bank did not recover its three years ago when a US bank

prized title as the country's most profitable bank. The Sumitomo board, which prides itself on its management skills, became impatient and, in August, 1987, Mr Ichiro Isoda, chairman, said that Mr Koh Komatsu, the bank's president, would be resigning two months ahead of schedule. Mr Tatsumi, 74,306 91,323 who took over the following 67,246 15.0

84,403 was reported to be interested in buying Heiwa Sogo Bank, a deep-ly-troubled mutual savings bank

According to legend, Japan closed ranks and found a Japanese buyer - which turned out to be Sumitomo - rather than let it go to a foreigner. Mr Tatsumi denies this: "There was no refusal by the authorities

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BCE Holdings BNA Bear Steams

Central Motor Coming Glass.

Beazer Bowater industries

Brit Island Alrways

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### Market Statistics 26 London share service 23 London traded options 36 London traded options 36 London traded options 38 Money markets 49 New int, bond issues Base lending rates Benchmark Govt bonds -European options each FT-A Indices FT-A world holices FT int bond service Warld commodity prices World stock mict indices UK dividends announced 23332 Financial futures Foreign exchange

Companies in this section

ised with that of the rest of the world," Mr Taisumi said. "After 1992, the competitive power of European banks will be more significant. There will be friction unless we are in line with them." He thinks the changing envi-ronment will cause considerable restructuring within the Japa-

rese financial industry, with basically three types of financial groups emerging. There will be a few very large all-round banks of

Two years later, it invested \$500m in a 12.5 per cent limited

bonds, but may change its ad following the move by vival be rid of them. In the past 10 Industrial Bank of Japan (IBJ) last week to join the London Stock Exchange. switched its focus to developed countries, building up invest-ment banking operations in New last week to join the London Stock Exchange. The bank has made a special York and London. (It claims to have no ambitions to build up retail banking abroad.) In 1984, it

to

world.

effort to develop a mergers and acquisitions business and was bought Banca del Gottardo in Switzerland, which had been part of the Ambrosiano group, for \$144m (282m) the first Japanese bank to buy a bank in Europe. rewarded handsomely last year when it acted as a financial adviser for Bridgestone Tire in its \$2.60m takeover of Firestone The of the US. Total fee income in the first half of the current year was Y57.7bn, up 62 per cent on the

It also controls Japan's 24th larg-

est securities company, Meiko Shoken, which has been quietly opening subsidiaries and repre-

sentative offices around the

Like other Japamese banks, Sumitomo has restricted its over-

as securities activity until now

ha sant that sumitone had been approached last year by Citibank of the US, which was interested in buying a certain small bank in a Tokyo suburb. "We said we were willing to co-operate with them." The Heiwa Sogo takeover was initially very difficult for Sumitone adving difficult for Sumitomo, giving rise to a Y105bn goodwill write-off and saddling the bank

LUTYENS

the bank has moved quickly to raise its capital base to comply with the new Bank of International Settlements standard, reaching the 8 per cent standard three years ahead of the deadline. In 1967 and 1968, it raised ¥360bn in new shares and convertible bonds, lifting its capital ratio to 8.2 per cent by last September. It is raising a further Y116.5bn next week through four kinds of convertible bonds.

**1 FINSBURY CIRCUS EC2** 

**SUMMER 1988** 

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A DEVELOPMENT BY GREYCOAT PLC

RICHARD ELLIS 01-256 6411 BAKER HARRIS SAUNDERS 01-796 4000

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with Y230bn in dodgy mortgage

loans. The bank's net income in the year to March 31, 1987

William Collins' chairman quits

### By Fiona Thompson in London

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MR IAN CHAPMAN has resigned as chairman of William Col-lins, the UK book publisher, fol-lowing his failure earlier this month to thwart a hostile £405m (\$705m) takeover bid from News

Collins said Mr Chapman would be leaving the company immediately and Mr Murdoch

had taken his place. Mr Chapman had been widely expected to leave, in the light of News' blistering attacks on his management and the bitter words spoken by both sides dur-ing the acrimonious seven-week takeover battle. Mr Chapman said yesterday

the only proper course of action open to him was to accept Mr Murdoch's "invitation to resign". The two men had met last we and agreed that "in view of all that had taken place it was not practical for us to work closely

together within Collins." Mr Chapman was also chief executive of Collins and it is thought likely he will be replaced in this role by Mr George Craig, at present chief executive of Harper & Row, the US publisher



Ian Chapman: lost takeover battle

now owned outright by News Corporation, parent of Newa International Before the bid it had been jointly owned by Col-lins and News Corp. Apart from the formal

announcement, no one from Col-lins or News was commenting yesterday, but Mr Craig's New York office confirmed that be

was in London at Collins. Before joining Harper & Row, Mr Craig was group managing director and vice chairman at Collins but diffarences of approach between him and Mr Chapman led to strains. This became a rift when Mr Craig went to Harper and the two quar-relled over whether Collins should sell some Harper & Row titles

Mr Chapman, 63, has worked at Collins for 46 years. In 1981 he successfully fought off Mr Murdoch's first attempt to take over the publisher, helped by a pas-sionate revolt by authors. News' had held a 41.7 per cent stake and two seats on the board since that hid

Several of Collins' authors said

Several of Collins' authors said last night they were saddened to see Mr Chapman go. "He was a good, straightforward man who knew what be was up to," said Mr Eric Newby, the travel writer. "Now you've got a large publish-ing house without a publisher." Mr Newby said he would wait and see before deciding on his future with Collins. He would stay providing they continued to

stay providing they continued to operate as in the past.

## Hanson in Thomson T-Line move

The announcement of Hanson's

stake coincided with speculation

mer Hanson executives, might be

1

### By Ray Bashford In London

HANSON, the UK congiomerate, further muddled the battlefield around Thomson T-Line yesterday in three parcels at between 92.5p and 94p. In line with its day when it emerged with a 5 per cent stake in the industrial holdnormal practice, Hanson refused to comment yesterday on any aspect of the share purchase.

The surprise entrance of Lord Hanson follows a revised take-over offer last week from Ladbroke Group, the international leisure company, and incessant speculation that Wembley, the diversified leisure company, was planning a bid.

involved. Stock-market activity in Thom-Hanson has an 11 per cent stake in Wassall and has a Han-son director on its board. Mr son T-Line shares accelerated after the Hanson statement and closed 2p higher at 96p. This com-pares with Ladbroke's revised offer of 90p a share, which values Philip Turner, a Wassall director, declined to comment, saying he

the company at £185.7m. Hanson held 1.1m shares before purchasing a further 7.4m on Frilearned at Hanson.

expressed interest in acquiring the Vernons pools business -Thomson T-Line's principal asset - several years ago when it was owned by the Sangster family.

Thomson T-line bought Verthat Wassall, the mini-conglomer-ate under the control of three for-nons last year for £90m after an auction against several other companies.

> Directors of Thomson T-line are understood to control about 15 per cent of the capital and have close associations with several other major shareholders.

was following the policy he Hanson is understood to have

**SUMMER 1989** 185,000 sq.ft. NEW OFFICES TO LET

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## INTERNATIONAL COMPANIES AND FINANCE

## **3M posts** biggest advance in 12 years By Anatole Kaletaky in New York

MINNESOTA Mining and Manufacturing (3M), the big US materials and industrial group, reported a 26 per cent increase in earnings last year and in the laet quarter, Its biggest

advance in 12 years. However, the company'e sales growth decelerated slightly in the fourth quarter and gains were stronger in international operations than

at home. 3M made \$272m or \$1.21 a share after tax in the fourth quarter, 25.7 per cent up on the \$216m or 95 cents reported a year ago. Sales for the quarter increased by 8.6 per cent to \$2.6bn.

Sales at international units 

up 25.7 per cent on the \$918m or \$4.02 It made in 1987. Annual sales advanced 12.2 per cent to \$10.6bn, with international business contributing a volume gain of 13 per cent. Domestic business grew by 9 per cent.

The company said its results were helped slightly by the effects of a weaker dollar. Total currency benefits contributed about \$46m or 20 cents a share to the annual profit of \$1.2bn.

### Strong quarter for Ashland Oil

ASHLAND OIL, the US oil refiner and petroleum products group, took first-quarter profits to new highs and said it remained optimistic the current year would be another good one, Reuter reports.

The group's first-quarter net income to December 31 rose to \$95.9m or \$1,72 a share, from \$80.2m or \$1.41 a year earlier. Ashland said results from Mr Bob Dickey, vice presi-dent and controller, said Safeco operations, exclusive of the S18m or 33 cents gain from the sale of its carbon black operations, set a new high for first-quarter earnings. The insurance business from only 200 of the 800 independent

operating income rise was led by record first-quarter perfor-mances from Ashland Petro-leum and Ashland Chemical agents which it uses to market its products in the state. "The other 600 don't like it, but we feel like we don't have

UNION CARBIDE and Monsanto, two of the largest US chemicals companies, yes-terday reported that 1989 was their best year ever, thanks to their best year ever, thanks to Monsanto, two of the largest US chemicals companies, yes-terday reported that 1988 was their best year ever, thanks to strong demand for basic chemi-cals and plastics. Carbide reported a spectacu-lar fourth quarter, bnt Mon-santo was held back by the cost of its ambitious expansion

By James Buchan In New Yark

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cost of its ambitious expansion into pharmaceuticals. Earnings for the December quarter at Carbide, the third-

largest US producer, were \$219m or \$1.59 a share, an almost 10-fold increase from the \$23m or 17 cents of the 1987 fourth quarter. The big increase was largely

By Roderick Oram in New Yark

CORNING Glass Works, a

leading maker of ceramic and

glass products for fibre optics, catalytic converters and other

applications. has reported

increased earnings for the

fourth quarter and year. Net profits for the three

months ended January 1 were \$54.3m or 61 cents a share

against \$42.6m or 47 cents a

year earlier. Revenues were

\$543m, barely up from \$539.5m.

Full-year net was \$216.9m or \$2.41, against \$171.8m or \$1.86

on revenues of \$2.12bn, com-

SAFECO, the Seattle-based

insurer, is cutting back its

underwriting of motor insur-ance risks in California in

response to Proposition 103,

the radical premium rate cut-ting measure passed by voters in the state last November.

was accepting new motor

**By Nick Bunker** 

due to strong demand and price increases in Carbide's basic ethylene oxide, ethylene \$8.32bn. glycol and polyethylene busi-

The performance, although

strong, was somewhat flattered by a reduction in the 1987 earn-

ings figure. Charges for environmental and litigation bosts, including the dispute over the 1984 accident at Carbide'e Indian sub-eidiary, reduced 1987 fourthquarter earnings by \$53m or 40

**Record profits for Union** 

**Carbide and Monsanto** 

For the year, earnings were \$720m or \$5.31, a trebling of the 1987 result of \$232m or \$1.76. Sales were up 20 per cent at

In contrast, Monsanto, the fourth-largest producer which

**Corning Glass climbs to \$217m** 

A number of "unusnal

items" made the final net

\$51.6m or 58 cents against \$59m

or 65 cents in the quarter, and \$210.7m or \$2.34 compared with

\$207.5m or \$2.23 compared with \$207.5m or \$2.25 in the year. Corning said the main extraordinary items last year included charges of \$33.9m to

reflect an accounting change for retirees' health-care bene-

fits and of \$19.1m to a previ-

ously established restructuring

Safeco reduces California underwriting

any choice," Mr Dickey said.

Safeco was unwilling to increase its exposure to Cali-

fornian motor risks in view of

the 20 per cent price reductions and strict price regulation required under 103, he said.

Proposition 103's constitu-tionality is now being reviewed by the state's Surreme Court,

which is not expected to rule

Mr Dickey was commenting

after Safeco produced annual

figures showing earnings per share up from \$3.75 to \$4.1, rep-

resenting net income up 6 per

until at least April.

Extraordinary

pared with \$2.08bn.

reserve.

has reduced its basic chemicals operation in favour of a push into drugs and biotechnology, said its fourth-quarter earnings were only modestly higher than in 1987, at \$45m or 70 cents against \$44m and 62 cents.

Sales rose from \$1.85bn to \$1 88bn.

The main reason for the stagnation was the high cost of research and development et the company'e G.D. Searle pharmacenticals subsidiary. Chemicals Income also declined as reported because of the absence of a \$14m gain taken in 1987.

Even so, earnings for the year were Monsanto's best ever with an increase of 36 per cent to \$591m or \$8.27. Sales rose 8.5 per cent to \$8.29hn.

included \$58m from the initial public offering of shares in Iwaki Glass in Japan, \$6.1m

from the formation of Corning

Asahi Video Products and

\$12.1m from the sale of shares in International Clinical Labo-

Performance was particu-larly strong in clinical and

life-science testing services, consumer, optical fibre and

North American video display tube business. Exports from the US were strong in all busi-

California accounted last

Although Safeco does not

publish its property/casualty profits etate-by-state, Mr Dickey said an internal study

last autumn chowed that

cumulatively over the five years and hine months since

January 1983 its Californian

motor insurance business had

been "only slightly profitable" even after taking investment

income into account.

year for about 25 per cent of Safeco's property/casualty pre-

ratory.

ness segments.

cent at \$268.6m.

miums

gains

By James Buchan in New York and Stephen Butler in London STOCK in Texas Eastern, the

Eastern

big Houston-based gas pipeline operator, continued to climb yesterday amid speculation on Wall Street and in London that last week's \$2.5bn takeover hid from Coastal has set the stage for an industry-wide auction.

of bid battle

lifts Texas

union that represents nearly half of predominantly French-speaking Québec'e organized labour force – has reason to be grateful to these objects of As rumonrs percolated through Wall Street that Britbe graterin to make objects on his disapprobation for at least one small service. They helped to inspire the initiative for which he may be best remem-bered when he finally decides ish Gas of the UK might seek to join the bidding, stock in Texas Eastern rose \$1 to \$48<sup>1</sup>4 yesterday morning, after a \$12 rise on Friday. The stock is now trading well above the \$42 a share offer unveiled last week by Coastal, Texas East-ern's aggressive cross-town trad to call it a day. Mr Laberge'e brainchild the QFL'e so-called Solidarity Fund - is a union find with a difference. It was established as a means of providing money to those who need it "at lower

rival Yesterday's speculation was fed by Taxas Eestern's annoancement on Sunday that it would seek, from the rest of the industry, offers superior to Coastal's bid.

Texas Eastern, whose main asset is a strong market posi-tion in the growing north-east-ern US market for gas, has hired a bevy of investment hankers from such firms as First Boston, Wasserstein Per-ella and Dillon Read in the US and James Capel in the UK to hunt for alternatives and begin talks with third parties. British Gas had no comment yesterday. Bankers and ana-lysts in London and New York believe, however, that the big UK energy group would, at a minimum, be looking carefully at Texas Bastern's shares of

North Sea producing proper-ties, which could be worth more than \$1bn. British Gas has recently made hig purchases of North Sea assets, and its interest in acquiring more oil properties was confirmed by an abortive raid last year on the London & Scottish Marine Oil Company (Lasmo), the UK independent.

Analysts donbt whether British Gas wants to enter the US gas-transmission business, which British Gas has previ-ously said was too highly reg-nlated. Regulation is, none the less, easing in the US and expansion into overseas gas-transmission would be consistent with British Gas's stated

strategy. Texas Eastern's search for a higher price follows a brief and unsuccessful meeting on Sunday between senior Coastal executives led by Mr James Paul, the company's president.

WHIRLPOOL, the US domestic

appliance manufacturer, suf-

fered a decline in fourth-quar-

ter and year-end profits. The group blamed higher material costs not recovered through increased pricing, higher levels

of interest expenses and

weaker results from its Brazil-

The group, which last year concluded a joint venture deal

ian affiliates.

movement could do for work

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ers." Under his leadership, which began when the union was los-ing ground to the rival Confid-ération des Syndicats Nation-aux, the QFL has prospered. It now has 375,090 members including, as Mr Laberge is quick to point ont, a large non-French-speaking contin-gent.

gent. An entertaining raconteur with a dry and ready wit. Mr Laberge is a strong proponent of Quebec's right to self detar-

"I don't think we should huild a big fence around us and live alone," he remarks, "but I do believe that Québec has to have all the powers that Québec needs in order to survive as a different people from the rest of the North American continent.

"We must have all of the tools that we need to protect : our language and I believe that workers in Québec have got the right to demand that they be able to earn a living in their own language." The QFL has traditionally

Supported the separatist Parti-Québecois, partly, according to Mir Laberge, for the party's strong social democratic heri-

tage. After fully 40 years as a full-time union official, Mr Laberge's days as the undis-puted figurehead of the Québec labour movement are, presumably, numbered. He rejects any suggestion of

retirement, however, with a ; thetorical flourish; "Is there a ! particular age for a fish to stop -swimming," he asks, "or for a : bird to stop flying?"

## Tax shift limits Whirlpool fall

NEWS IN BRIEF

tobacco group, is to divest two small holdings in South Africa, Kohlberg Kravis Roberts, the US buy-ont specialist, said. KKR recently won a \$25bn takeover battle for RJR.

The holdings are Royal Bee-chnut, a confectioner, and Sonth African Preserving, a canned fruit producer. The

semiconductor joint venture. would withhold its \$110m pen-sion fund investment in KKR's The latest result includes a restructuring charge of vout of RJR be holdings in Sonth Africa. A Michigan law which took effect this year prohibits state pen-SCHLUMBERGER, the leading US oil services group, is to sell its defence systems unit, which cion funds investing in companies with ties to South last year had revenues of Africa. \$320m The Treasurer has said he will review his decision to withhold funds following the The group said it was selling; the unit - which takes in advanced technology in electro-optical sensors and commulatest move. nications and control systems UNITED TECHNOLOGIES, the for aerospace and ground. weapons systems - to concen-trate on its principal product US aerospace group, reported a fall in fourth-quarter earnings but profits for the full year lines.

Net income in the quarter; slipped to \$150.6m or \$1.16 a share from \$172.5m or \$1.32 last; But at the year-end net : income rose to \$659.1m or \$5.05 -against \$591.7m or \$4.52. Revenues climbed to \$18.5bn from ;

\$17.4bn. The net income for the latest year includes \$96.3m in gains, from the sale of finance subsid-iaries, a \$95.1m gain on the sale of the company's Essex unit and one of \$41.4m on the sale of its share of a German

were sharply ahead.

to buy a 53 per cent stake in the appliance business of Phil-Sonth African holdings account for less than 1 per cent of BJR's total annual sales. ips of the Netherlands, said the effect of these negative items was partly offset by a reduction in the federal tax Earlier this week, the Trea-surer of Michigan State said it

Whiripool reported quarterly

credits of 20 per cent of contri-butions - to a maximum of C\$3,500 a year - by both the federal and provincial govern-C\$205m. An aircraft mechanic by trade, Mr Laberge is the longest-serving president of any Canadian labour federation, having been re-elected with The fund is "the first time that ordinary workers on low wages have had the opportuease at every QFL congress wages have had the opportu-nity to benefit from tax deduc-tions," according to Mr Laberge. The volnntary scheme, he adds, drawing on an ever-present cigarette, "gives them at least a small notion of what we wan by since 1964. Having joined Canadair at 20, he became a shop steward two years later and business officer three years after that.

"My old man was very active in the labour movement," he points out in an attempt to notion of what we mean by venture capital." explain this precociousness. "I

In its five-year existence, the became convinced at a very early age that, yes, there was fund has invested close to C\$50m (US\$42.4m) in more than 50 enterprises, ranging something that the labour

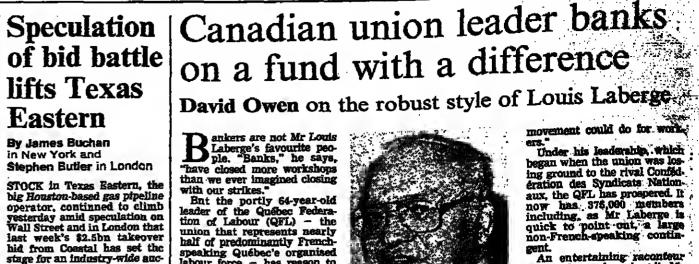
Bankers are not Mr Louis Laberge's favourite peo-ple. "Banks," he says, "have closed more workshops

than we ever imagined closing

with our strikes." But the portly 64-year-old leader of the Québec Federa-tion of Labour (QFL) - the

incentives.

ments



Louis Laberge: is there a time for a fish to stop swimming?

from biotechnology concerns to

rates of interest than the damn banks are charging." The key to its success is tax boasts Mr Laberge. It has also assembled a sizeable portfolio of passive investments, with assets now totalling about Participants are granted tax

## furniture outlets. "We have preserved and/or created come 12,000 jobs,"



## **Rustenburg Platinum** Holdings Limited Reg. No. 05/22452/06

### Lebowa Platinum **Mines** Limited Reg. No. 63/06144/06

(Both companies incorporated in the Republic of South Africa)

### Highlights from the Interim Reports for the six months ended 31 December, 1988 (Unaudited)

<b>Rustenburg</b> Platinum	- 1968 Rm	1987 Rm	
Gross sales revenue	1,414.2	1,129.6	
Profit before taxation	633.0	494.9	
Distributable profit for peri-	od 239.0	198.0	
Ordinary dividends	144.1	125.3	
Capital expenditure	102.1	114.9	
Earnings per share (cents)	190.7	158.0	
Dividends per share (cents)	115.0	100.0	
Lebowa Platinum	1988 • Rm	1987 Rm	
Lebowa Platinum Gross sales revenue	1998 • Rm 	Rm	
	· Rm	Rm 25.0	
Gross sales revenue	26.4 11.9	Rm 25.0 7.5	
Gross sales revenue Profit before taxation	26.4 11.9	Rm 25.0 7.5 4.2	
Gross sales revenue Profit before taxation Distributable profit for peri	26.4 11.9 od 9.6		
Gross sales revenue Profit before taxation Distributable profit for peri Ordinary dividends	e Rm 26.4 11.9 od 9.6 8.0	Rm 25.0 7.5 4.2 1.7	

Interim dividends have been declared payable by both companies to shareholders registered at the close of business on 10 February 1989. Date of payment of dividend warrants will be 10 March 1989. (Currency conversion date 27 February 1989.)

23 January 1989

The full text of the Interim Reports will be posted to chareholders and copies may be obtained from the London Secretaries, Barnato Brothers Limited, 99 Bishopegate, London EC2M 3XE.

and directors and executives of Texas Eastern. Both sides said the meeting was a disappointment, with Texas Eastern complaining that Coastal sbould have raised its offer. In an attempt to buy time while its investment bankers seek a better offer, Texas Eastern asked on Friday a court in Delaware, its state of incorpo-ration, to confirm the validity

of a defensive company by-law or poison pill. Mr Dennis Hendrix, chief

executive of Texas Eastern, suid the pill would allow the company "to pursue the best deal for our shareholders."

Holly Farms rejects Tyson for ConAgra

By Deborah Hargreaves

in Chicagn

HOLLY FARMS, the US chicken processor, has rejected the latest offer from Tyson Foods, the nation's largest poulty producer, in favour of a lower-priced stock swap deal with ConAgra, the big US flour miller. flour miller. Holly has said it will com-vene a shareholder meeting at the end of February for hold-ers to vote on the proposed merger with ConAgra, to which Holly feels legally bound

bound. At \$63.50 a share, or \$1.15bn, Tyson's latest offer for the elusive Holly is significantly higher than ConAgra's \$59.25 per share stock swap agreement. But since the merger pact contains an asset lock up provision, granting ConAgra an option, granting ConAgra an option to buy almost half of Holly's assets if the deal falls through, Holly feels bound to the merger. A Delaware court issued a preliminary injunction against the lock-np provision last month, and Holly has asked ConAgra to free it from the obligation But ConAgra comes obligation. But ConAgra seems determined to hold Holly to the deal and has since filed a connter-claim seeking to enforce Holly's contractual obligation to the lock-up provi-slon. This could force a lengthy trial on the issue. Mr Napoleon Overton, an analyst et Morgan Keegan in Memphis, says: "It appears that, just maybe, tha Holly board of directors has gotten itself into a bind." Mr Overton believes share-

hir Overon believes snar-holders will vote against the ConAgra merger although the meeting could force ConAgra to raise its offer - a move it has so far resisted.

operating estimates of \$40.5m or 59 cents a share against \$41.9m or 61 cents a year ago. Earn-ings exclude a loss from dis-continued operations of \$52.9m or 76 cents compared with a loss of \$1.5m or 2 cents the previous year. Sales rose to \$994m from \$958m.

At year-end, the operating net fell to \$161.3m or \$2.33 from \$186.6m or \$2.61 the previous year on sales which rose to \$4.31bn against \$4.11bn.

RJR NABISCO, the food and

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The Sumitomo Bank, Limited (incorporated in Japan with limited liability under the Commercial Code of Japan)

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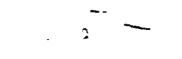
The Council of The International Stock Exchange has admitted to the Official List all The Council of The International Stock Exchange has admitted to the Official List all the shares of common stock of ¥50 par value per sbare of The Sumitomo Bank, Limited. At 31st December, 1988 4,000,000,000 shares were authorised and 2,522,567,994 shares were in issue. The dealings in the shares of common stock will commence at 9.00 a.m. on 24th January, 1989. The shares of The Sumitomo Bank, Limited are already listed on the Takyo Stock Exchange, the Osaka Securities Exchange, the Kyoto Securities Exchange, the Sapporo Securities Exchange and the Hiroshima Stock Exchange and in France on the Daris Couch Exchange Stock Exchange and in France on the Paris Stock Exchange.

Listing Particulars relating to The Sumitomo Bank, Limited are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be nbtained during normal business hours on any weekday (Seturdays and Bank Holidays excepted) up to and including 26th January, 1989 from the Company Announcements Office, The International Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 6th February, 1989 from:

The Sumitomo Bank, Limited. Temple Court, 11 Queen Victoria Street, London EC4N 4TA

S.G. Warburg Securities, 1 Finsbury Avenue, London EC2M 2PA 

24th January, 1989



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## FINANCIAL TIMES TUESDAY JANUARY 24 1989

NEWISSUE

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This announcement appears as a matter of record only.

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# **British Steel plc**

## European Offering of 123,000,000 Ordinary Shares of 50p each

SBCI Swiss Bank Corporation Investment banking

Amsterdam-Rotterdam Bank N.V. Banque Paribas Capital Markets Limited Commerzbank Aktiengesellschaft Credit Suisse First Boston Limited

for the Federal Republic of Germany Deutsche Bank Capital Markets Limited Commerzbank Aktiengeseilschaft

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft Bayerische Landesbank Girozentrale Bayerische Vereinsbank Aktiengesellschaft

BHF-BANK DG BANK Deutsche Genossenschaftsbank

for France Banque Paribas Capital Markets Limited

Banque Indosuez Banque Nationale de Paris Crédit Commercial de France

for Italy

CL-Alexanders Laing & Cruickshank (Crédit Lyonnais Group)

Mediobanca-Banca di Credito Finanziario S.p.A.

Deutsche Bank Capital Markets Limited Dresdner Bank Aktiengesellschaft Mediobanca-Banca di Credito Finanziario S.p.A. Union Bank of Switzerland (Securities) Limited

### **Dresdner Bank Aktiengesellschaft**

Deutsche Girozentrale-Deutsche Kommunalbank -Schweizerischer Bankverein (Deutschland) AG Investment banking Vereins- und Westbank Aktiengesellschaft Westdeutsche Landesbank Girozentrale

Société Générale Banque de Gestion Privée - SIB Banque Stern Rothschild & Cie. Banque

Banca Commerciale Italiana Banco di Roma Credito italiano Istituto Bancario San Paolo di Torino Banca Popolare di Milano

for The Netherlands Amsterdam-Rotterdam Bank N.V. Pierson, Heldring & Pierson N.V. Rabobank Nederland

### tor Switzerland and Liechtenstein SBCI Swiss Bank Corporation Investment banking Credit Suisse First Boston Limited

Swiss Volksbank Julius Baer International Limited Banca del Gottardo Compagnie de Banque et d'Investissements, CBI HandelsBank NatWest (Overseas) Limited Leu Securities Limited Lombard Odier International Underwriters S.A. Pictet International Ltd

for Other European Countries SBCI Swiss Bank Corporation Investment banking

Creditanstalt-Bankverein Enskilda Securities

**Generale Bank** 

154

Joint Adviser to the Department of Trade and Industry and British Steel plc and Co-ordinator of the European Offering SBCI Swiss Bank Corporation Investment banking

Credito Romagnolo Nuovo Banco Ambrosiano Banca Nazionale del Lavoro Banca Nazionale dell'Agricoltura CARIPLO - Cassa di Risparmio delle Provincie Lombarde

SBCI Swiss Bank Corporation Investment banking Nederlandsche Middenstandsbank nv

Union Bank of Switzerland (Securities) Limited BSI-Banca della Svizzera Italiana Bank J. Vontobel & Co. AG Hentsch et Cie Rothschild Bank AG Sarasin Investment Management Limited Swiss Cantobank Securities Limited S.G. Warburg Soditic (Jersey) Ltd.

Kansallis Banking Group Banco Hispano Americano, S.A.



a division of Swiss Bank Corporation

### US \$250,000,000

and the second second

DSM.



## Crédit Lyonnais

Floating Rate Notes Due 1996

911/16% per annum Interest Rate 23rd January 1989 Interest Period

Φ 20

24th July 1989 Interest Amount per

U.S. \$10,000 Note due U.S. \$489.76 24th July 1989

> **Credit Suisse First Boston Limited Reference** Agent

### ALLIANCE LEICESTER

**Alliance & Leicester Building Society** 

### £300,000,000

Floating Rate Notes 1994

Notice is hereby given that the Notes will bear interest at 13.205% per annum for the interest period 23rd January, 1989 to 24th April, 1989. Interest payable on the relevant interest payment date, 24th April, 1989 will amount to £164.61 per £5,000 Note and £3,292.21 per £100,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York London

### B CO-OPERATIVE BANK P.L.C.

roorated in England under the Companies Acta 1948 to 1980)

### £75,000,000

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 23rd January, 1989 to 24th April, 1989 the following information will apply:

- 1. Rate of Interest: 131/2% per annum
- 2. Interest Amount payable on Interest

Payment Date:	£165.17
	Per £5,000 nominal or
	£1,651.71
	Per £50,000 nominal
3. Interest Payment	
Date:	24th April, 1989
Agent Bank	

Bank of America International Limited

### **Curação Depositary Receipte**

PIONEER ELECTRONIC CORPORATION The undersigned, being the Agent of Caribbean Depositary Company

## INTERNATIONAL COMPANIES AND FINANCE

# DSM routs for kitchen enthusiasts and ski lovers

Peter Marsh on a Dutch group's confidence in chemicals used in domestic worktops and sportswear

within DSM, which was formed 86 years ago as Dutch State Mines, but to its new share-holders and industry observers he fature fortunes of DSM, the state-con-trolled Dutch chemicals A trolled Dutch chemicals company whose partial privati-sation takes a step forward today, will be closely linked to the numbers of people who buy fitted kitchens and who go on eliting helidare generally. The Dutch Government is

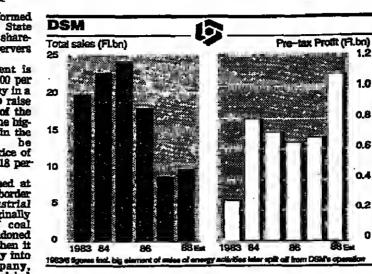
selling one-third of its 100 per cent stake in the company in a move that is expected to raise about Fl 1.4hn. Pricing of the skiing holidays. DSM is the Netherlands' secissue, which will mark the hig-gest-ever share affering in the Netherlands, will be announced today at a price of between F1 105 and F1 118 perond-biggest chemicals group with annual sales for last year estimated at about Fl 9.9bn (\$4.Sbn). Some 70 per cent of its sales are of high-volume, relashare. DSM - which is based at

tively low-cost commodity chemicals and it has a particularly strong position in the world market for two of these: melamine, a plastic widely used in kitchen worktops, and caprolactam, a material used Heerlen, just over the border from Germany's industrial Ruhr district - was originally solely an operator of coal mines, an area it abandoned during the 1960s. Since then it caprolactam, a material used to make high-value grades of nyion for ski-wear. Mr Hans van Liemt, DSM's chairman, is generally positive about the prospects for mela-mine and caprolactam together with the other commodity materials DSM sells. He dislikes the way chemi-cals industry observers often categorise commodity materi-als as unexciting products with a poor sales potential. "Some-times I get the feeling commod-ity chemicals are associated during the 1960s. Since then it has been moving strongly into chemicals. The company, which to terms of the global chemicals industry is only a middle-rank producer, is none the less given general credit for its rate of progress in its new field new field.

new field. As a result of its short his-tory in chemicals, DSM has some relatively new and highly efficient manufacturing plants - particularly two big facili-ties near Heerlan, which between them turn out nearly im tonnes a year of ethylene, a vital oil-derived feedstock for many synthetic substances. Desnite the generally noor ity chemicals are associated with a bad smell, complains Mr van Liemt, a kesn-eyed lawyer who has spent 30 years at

Nadir buys Istanbul daily

Despite the generally poor Whether Mr van Liemt is correct in his views will be of interest not just to managers image of commodity materials, in recent years strong sales in



confident that, despite gloomy forecasts from some commen-tators that the industry may slide into recession during the early 1990s, DSM will come through relatively unscathed. His optimism is shared by onlookers such as Mr John

this field have been mainly responsible for the upturn in profits for many big chemicals gronps, DSM included. The Dutch company is expected to show a pre-tax profit for last year of about F1 L1bn, some 60 per cent up on 1587. Mr van Liemt is reasonably confident that, despite gloomy forecasts from some commen-tators that the industry may

(\$538m)-a-year world market for melamine, a hard plastic made from ammonia. long-term growth prospects. Mr van Liemt wants these speci-DSM says it has about a fifth include resins, intermediate chemicals for pharmaceuticals and new, strong industrial of the market, with close rivals including BASF of West Ger-

many, Nissan Chemical of Japan and American Cyanamid. All these companies have benefited from the strong demand over the past few veers for melamine, which, have benefited from the strong demand over the past few years for melamine, which, besides featuring in kitchens, besides featuring in kitchens, is also used as a fire-retardant and as an additive for resins. The Dutch company has a 15 to 20 per cent share of world annual sales of caprolactam, which add np to about £1.5bn. Caprolactam is an important raw material used in nylon manufacturing. The market for

s these two materials,

DSM sells a range of other commodity products, including

high-volume plastics such as polyethylene and polypropyl-ene, fertilisers and synthetic

to common with many other bulk-chemicals producers -

tried to move into other more

specialised areas of chemicals thought to have better

alised materials - which

rubbers. DSM has, in recent years

accounts for 95 per cent of the company's production and 85 per cent of sales. However, the company has been flexing its muscles in recent years in the US and Japan, either by setting up plants or through sales agreements with other comparaw material used in nylon manufacturing. The market for caprolactam – other hig sup-pliers of which include BASF, Enimont of Italy and Allied-Signal of the US – has been increasing at a healthy rate, largely thanks to expanding applications for nylon in speci-alised sportswear and engi-neering plastics. Besides these two materials,

nies. DSM has, in particular, cons-mercial alliances with a num-ber of Japanese chemicals com-panies including. Toyolo, Tosoh, Idemitu and Minubian, in which the partners, are swopping technologies or giv-ing each other access to mar-hets.

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Mr van Liemt says he is not too worried about DSM's, rela-tively poor showing in coun-tries beyond Europe, although he does admit he has a list of US companies he would like to huy. As for how his job will, but altered as a result of having private shareholders, Mr. van emt concedes that it may Light concedes that it any store chance of issuing new shares, to finance overseas purchases, "But as for the management

issues we have always ship DSM very much as a private company with the state at arm's length. So from this point of view nothing will change," he says.

NEWS IN BRIEF

Ex-Bank director to join Safra

· MR PETER COOKE, retired associate director of the Bank of England, has agreed to join the board of directors of Safra Republic Holdings, the private banking group announced yes-

Mr Cooke is expected to be elected to the board of Safra at its annual meeting of share-holders in May. He will also join Safra's andit committee. He was a former chairman of the Group of Ten Committee on Banking Regulations and Supervisory Practices, com-monly known as the Cooke Committee, which meets at the Bank for International Settlements in Basie, After his retirement, Mr Cooke became chairman of the world regulatory advisory group of Price Water accounting firm. Satra Republic Holdings has assets of \$4hn and stockholders' equity of \$940m. • SPAR HANDELS-AG and Spar-Gruppe Sudwest, the West German grocery whole-salers, plan to merge to form a new wholesale group, Deut-sche Spar, which will be Germany's seventh-largest gro-cery wholesaler, writes our Financial Staff. DG Bank (DGB) said the new group would act as whole-saler for about 6,000 Spar shops. Its 1989 turnover is seen at DMSon (\$4.3bn). DGB said Spar hoped steps needed for the merger would be completed in the first half of this year. It added that the move would improve Spar's competitive position. BUEHRMANN-Tetterode, the Dutch paper, packaging and publishing group, said it was close to acquiring Van der Windt Groep, a Dutch packag-ing prodacer and distribntor, for an unspecified amonat Van der Windt, which operates in north-west Europe, has annual sales of about Fl 300m (\$144m) and more than 600 employees. Bihrmann's board said that Van der Windt would complement its existing pack-aging interests. Bährmann-Tetterode ahares ended 10 cents lower at Fl 62.20 on the Amsterdam stock exchange yesterday. · BANCO SANTANDER, the Spanish bank, and Cariplo, the big Italian savings bank, finally reached agreement yes-terday on a complicated deal whereby Santander is to take a 30 per cent stake in Istituto Bancarlo Italiano (IBI), a Carl-plo affiliate, writes Peter Bruce in Madrid. IBI, in turn, is to take an initial 14.99 per cent share in Santander's Catalan subsidlary, Banco Jover, with an option to increase this to 30 per cent when the Spanish authorities grant termission NOTICE OF RESIGNATION AND APPOINTMENT To the Holders of Hudson's Bay Company 10% Debendures Due 1994 Notice is hareby given of the real-of Bank of Montreal Trust Company at its principal office in New York from its appoint-ment as Principal Paying Agent, and the appointment of Bank of Montreal at its office at 9 Queen Victoric Street, Loadon, Empirod EGAN 4XN as the successor Principal Pay-ing Agent, effective at the close of beamses 17th January 1988.

By Jim Jones in Johannesburg details, operates several mines in the Transvaal and the black "homelands" of Bophuthat-swana and Lebowa. Construc-

BNA announces rights issue By Alan Friedman in Milan BNA, Italy's largest privately-owned bank, is to raise L400bn (\$296m) by a twotranche rights issue on the Milan bourse, The publicly-quoted BNA,

which for months has been described in Italian financial circles as seriously undercapitalised, is controlled by Mr Giovanni Auletta Armenise, whose family financial holding vehicle, Bobifiche Siele, owns

1.0

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42 per cent of the bank. Yesterday a spokesman for the Rome-based BNA strongly denied that the bank was undercapitalised. "We are a rich bank," he said, declining to comment on reports that the Bank of Italy has put pressure on Mr Auletta to improve

BNA's capital ratio. The BNA spokesman also refused to disclose the bank's

refused to disclose the bank's capital ratio, claiming that "this is secret information which we are not obliged to give to the public." BNA had total deposits of L13,000bn at the end of last year, against L8,000bn of loans to its ordinary clients. The bank, which employs 7,500 peo-ple, has 230 branches in Italy. Mr Anletta said yesterday Mr Anletta said yesterday that the first L200bn of the

rights issue would take place this year, while the remaining funds would be raised by 1991. The BNA chief denied reports that Credito Italiano, a state-owned commercial bank, was planning to buy a stake in

n de la companya de Managara de RNA. Federconsorzi, the agricul tural co-operative movement which is BNA's second-larges shareholder with a 15.1 per cent stake, yesterday implied that it might not subscribe its portion of the rights

issue. • Budd Plastics, a unit of West Germany's Thyssen, said it had agreed to provide sheet metal compound technology. for the next eight, years to Fight Area thread with the sheet of the shee

agreement, it would assist lveco. in establishing operations to produce exterior body panels and other components for future truck models.

## Rustenburg increases revenue by 25%

maan namoo shi ku axaa BIGHER platinum and nickel tion of a new platinum refinery the homeland, is expanding its prices lifted revenue at Rusten- in Bophutlianswana, which will Atok plate as part of an Serie-

Flat's Iveco truck manufacturing unit. Budd said that, under the

Bones Mar 1 nickt

are popular broadsheets with a mix of news, comment and scandal. Notta is a radical, chic publication which appeals to younger readers. Gunaydin's previously vocifterday.

erous criticism of the Government has grown noticeably less strident since the Veb Ofset transaction.

## the Turkish press in a hig way by buying the Veb Ofset series of publications last year, which includes Gunaydin, the Istan-bul daily. The three purchases effectively make him the hig-gest publishing proprietor in Turker Cypriot entrepreneur, has fur-ther consolidated his dominant position in the Turkish media with the purchase of Gunes, the Istanbul daily, at the week-Turkey. Both Gunes and Gunaydin

BRISA

Auto-Estradas de Portugal S.A.

Japanese Yen 10,000,000,000

**Guaranteed Floating Rate Notes 1992** 

Peck International, his UK operation. The deal comes only a few days after Mr Nadir announced the purchase of the Gelisim chain of publications, including Nokta, the popular weekly. Mr Nadir first ventured into

By Jim Bodgener in Ankara

MR ASIL NADIR, the Turkish-

No purchase price has been revealed for the transaction, which was made to Mr Nadir's name rather than that of Polly

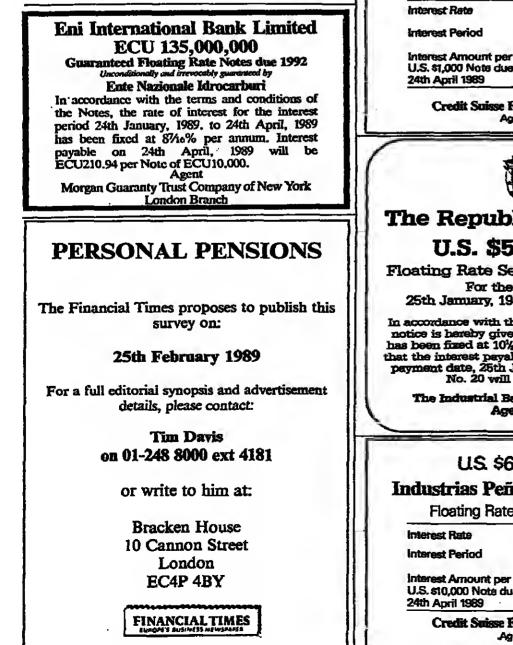
N.V., 6 년8 cash dividend of Yen 20 per share for the financial year covering the period October 1st, 1987 - September 30th, 1988, which will be payable as from January 30th, 1989 at the office of the undersigned. This distribution, which has been converted into U.S. dollars pursuant to section 4 of the Deposit Agreement will be available to holders of CDR's against sumender of coupon 30 less 20% Japanese withholding tax, to the effect that per CDR evidencing

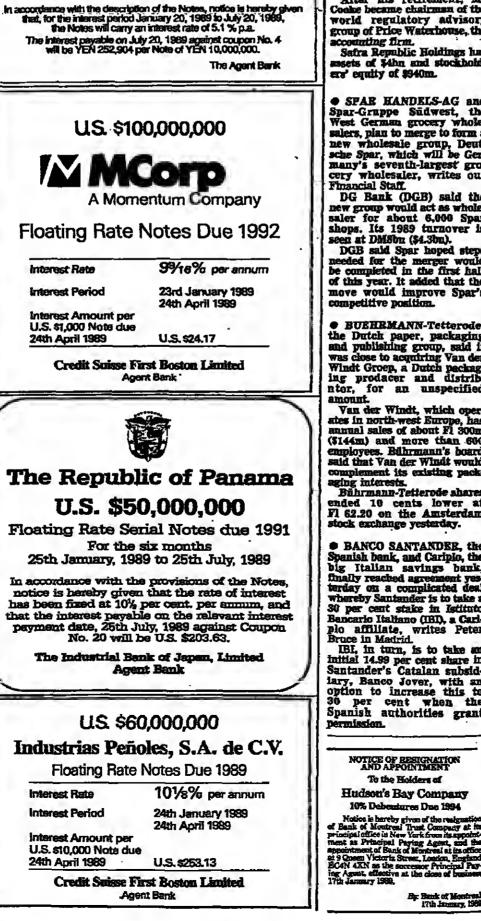
5 Depositary Shares \$ 6,41 ( 6,81) 10 Depositary Shares \$ 12,82 ( 13,62) and 100 Depositary Shares \$ 128,20 (136,20) is paid.

The amount stated between brackets represent the dividend less 15% Jepanese tax. These dividends will be paid until April 25th, 1989 but only on condition that the coupons to be surrendered will be accompanied by an "Affdavik" (obtainable with the undersigned), evidencing that the beneficial holders of the CDR's are residents of a country which has concluded a Tax Treaty with Jepan. In the Netherlands dividends will be paid to residents in Netherlands currency at the daily rate of exchange unless otherwise instructed.

Amsterdam, January 19th, 1989

Pierson, Heldring & Pierson N.V.





burg Platinum, South Africa's largest platinum producer, by mearly a quarter during the six months ended December, to reach R1.41bn (\$590.7m) from R1.13bn. Pre-tax profits increased by a slightly greater margin to R633m from R495m. Rustenburg, which does not disclose metal production

shortly afterwards. In Lebowa the company is committed to opening a new mine on the Maandagahoek farm, but has yet to start developing the project. At pres-ent Lebowa Platinum, Rusten-burg's operating subsidiary in

iment with the homeland government. Rustenburg's interim operat-ing profit before tax and provi-

sions for renewals and replace-ment of assets rose to R689m ment of assets rose or provide to 190.7 cents a share from 156 cents and the interim dividend has been raised to 115 cents from 100 cents.

from 100 cents. Last year's net earnings were 306.9 cents and a 'total dividend of 220 cents was paid.

1992 C2 340

INCC	RPOR	ATED
Y	• d • d 31.12.87	Percentage
\$1,410.4m	\$1,231.0m	+15%
\$301.6m	.\$176.9m	+70%
\$164.3m	\$81.1m	+103%
\$4.37	\$2.12	+108%
	AE MOR \$1,230 \$1,410.4m \$301.6m \$164.3m	\$1,410.4m         \$1,231.0m           \$301.6m         \$176.9m           \$164.3m         \$81.1m

and earnings

- >>>> Fourth quarter net income up 54% from \$29.6m in 1987 to \$45.5m in 1988 (\$1.22 per share compared with \$0.77 in 1987)
- >>>> Coated Paper, Pulp and Computer Forms together produced 50% of sales and 52% of operating income - AND YET ....

>>>> Newsprint sales and operating income were at record levels in 1988.

Chairman and Chief Executive A.P. Gammie underlined the company's record performance. "1988 was an excellent year . . . with stable operating. costs, strong pricing for our pulp and paper grades, and a favorable dollarexchange rate to support our export trade (and) ... We made good progress on building up our non-newsprint business. For the first time products other, than newsprint produced more than half of our 1988 annual sales and operating income."



.12

Bowater Incorporated of Darlen, Connecticut is a major USA producer of newsprint, coated publication/jim bleacted kraft market pulp and continuous computer business forms:

## **INTERNATIONAL COMPANIES AND FINANCE**

# NZ acts on Equiticorp collapse

### By Dal Hayward in Wellington

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THE NEW Zealand Government has frozen the local assets of 94 companies under the control of Equiticorp International, pre-empting plans disclosed on Friday by the troubled investment group to call in provisional liquida-

to can in provisional liquina-tors this week. Four Government-appointed statutory receivers have now been charged with carrying out an orderly sale of assets in what is New Zealand's biggest ever corporate collapse. It will take some weeks for

the receivers to determine the value of these, but Mr Colin Patterson, chairman of the Securities Commission, which supported the Government move, said yesterday that the New Zealand assets were prob-ably greater than domestic lia-bilities.

Mr Geoffrey Palmer, Justice Minister, revealed that Equiti-Corp's failure was precipitated by the refusal of the group's bankers, at a meeting in Australia last week, to extend fur-ther credit.

He also strongly criticised directors of companies whose decisions lead to problems such as those now experienced by Equiticorp. "I have no doubt when you look at the message we are getting from events such as the collapse of Rada [an earlier investment computer failure] the mblic company failure] the public mood is for a great deal more protection for investors and



Geoffrey Pahner: more protection for investors

shareholders than the existing law gives," he said. "The conduct of companies New Zealand companies in the Equificorp group cover a wide range of trading activi-ties, including agricultural products, the Equificorp Finance merchant bank, sevin this area is the result of decisions taken by directors and they are responsible for how the company [Equiticorp] got into the situation it is in." The group's assets are said to total in the region of NZ\$2.8hn (US\$1.77bn) and debts NZ\$1.6bn. In the 17 months to last August Equitieral other finance companies erai other infance companies and investment groups, tour-ism and property development. One of the smallest operations, a provincial stock-broker called Ararimn Part-ners, yesterday ceased trading and was declared by the Stock corp made net losses of NZ\$26.9m after writing down investments by NZ\$226m.

The Government appointed the receivers because it took the view that Equiticorp's Exchange to be in de Fisher and Paykel is excluded from the Government

receivership order, as is the 80 per cent owned NZ Steel. Mr Palmer said Fisher and Paykel was separately managed and the Equiticorp collapse would not affect its viability. NZ Steel - the privatised steelmaker which Mr Allan Hawkins, the Equition chairman has been announcement made on Friday announcement made on Friday in Australia that it was appointing a provisional liqui-dator did not apply under New Zealand law. Mr Hawkins moved control of regional operations to Stdoar Lat Mar operations to Sydney last May while reincorporating in the Squiticorp chairman, has been

In New Zealand, only a court can appoint a provisional liqui-dator. This had not happened and would take some time to occur, said Mr Palmer. The appointment of statutory receivers by the Government would protect creditors and shareholders "and indeed New Zealand generally." All the companies affected could con-tinue trading. Among the debts are NZ\$25m owed to Fisher and Paykel, a 30 per cent owned white goods maker, and NZ\$100m to the Australian-based Elders Resources NZFP. New Zealand companies in In New Zealand, only a court trying to sell - noted on Fri-day that its finances were separate from those of its parent. The move also has no direct effect on Equiticorp's 61 per cent stakes in GPG and Guin-ness Mahon Holdings, the Brit-ish financial services companies. The holdings are to revert to a group of secured bank creditors.

Meanwhile BTR Nylex, the 62 per cent Australian subsid-iary of the UK's BTR industrial group, said yesterday that its offer for Feitrax International,

fault.

a quoted manufacturing sub-sidiary of Equiticorp, bad closed on Friday with accep-tances totalling 99.4 per cent. It would proceed compulsorily to acquire the remainder. Although yesterday was a public holiday in New Zealand, the statutory receivers, headed by Mr Fred Watson of accoun-tants Peat Marwick, wasted no time moving into the board-

Toom of Equilicorp Tba Government also intends to appoint an advisory committee to assist the receivers because of what Mr Palmer described as "the competing interests involved."

offices when a shareholder's representativa came to submit

### 'undaunted by Bear Stearns' **By John Elijott** in Hong Kong

**HK** group

**JARDINE Strategic Holdings** of Hong Kong is undaunted by a challenge to a US\$6.4m par-tial settlement reached in principle last week on \$175m to \$200m lawsuits relating to its

son trading group, cancelled a deal made the previous month to buy into Bear Stearns.

New Issue

January 24, 1989

ALGEMENE BANK NEDERLAND N.V.

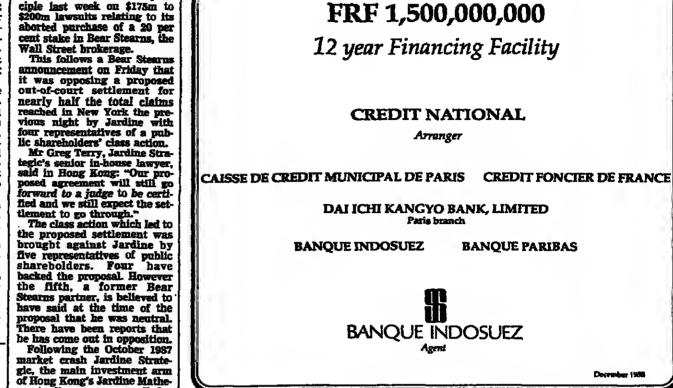
DEUTSCHE BANK CAPITAL MARKETS

LIMITED

THE NIKKO SECURITIES CO.,

(EUROPE) LTD.

December 1988



Chhabria lays siege to Gammon India

### By Gita Piramal In Bombay

GAMMON INDIA, a Bombaybased civil engineer, is under siege from Mr M.R. Chhabria, a Dubai-based businessman of Indian origin, who has report-edly bought nearly 30 per cent of the company and is seeking a seat on the board.

At a meeting on Sunday, however, directors of Gammon decided not to register the shares. They plan to refar the Case to the Company Law include tyres, liquor, electron-ics, engineering and paint. Although this temporarily thwarts Mr Chhabria, the fight

for the Bs103m (\$6.7m) turn-over company - which built the Gateway of India, a notable monument of the British Raj may still be tilted in his favo

In the last five years, Mr Chhabria has created India's eighth largest business group, almost entirely through take-overs. Indian interests of the Rs11.1bn. Chhabria group

Mr J.N. Bates, chairman, and Dr. T.N. Subba Rao, managing director, has encountered diffirepresentativa came to submit proposals for the appointment of directors at the annual meet-ing to be held on January 31. Most of the proposed direc-tors are former managers of Shaw Wallace, a company con-trailed by Mr. Chabatia Mr. culties in mounting its defence. When a Gammon shareholder requested a list of the compa-ny's shareholders the Gammon trolled by Mr Chhabria. Mr Bates said of the referral to the CLB: Just as he has tied us up in the courts, this should slow down Mr Chhabria for some time." The price of Gammon

in a single state of the second state of the s lawsuit alleging discrimina-The dispute has led to an altercation at the Gammon stock has shot up from Rs29 in March to around Rs180.

## Business dances a rumba in Brazil John Barham on a surprising

## year of big corporate profits

B razihan businessmen are B celebrating one of their most profitable years ever. Despite intense uncer-tallen 7 per cent and company requests for court protection from their creditors - a local version of the US Chapter 11

cent.

**Investcorp** advances net profits 60.4% By Gordon Cramb

INVESTCORP, the Babrain-based investment bank which last year gained effective con-trol of Gucci, the Italian luxury According to Mr Michael -Merritt, a London-based direc-tor, "we have been able to com-plete the cycle in quite a sub-stantive way." The rise in earnings was mostly fee-driven, he added, while Investgoods house, lifted 1988 net profits 60.4 per cent to \$46.2m. The seven-year-old company.

ment for Gulf-based clients more than doubled during 1988

to some \$225m from \$100m. Total assets grew by more than a third to \$745.3m from

\$551.6m. Following a stock buy-back programme the manage-

BANQUE INDOSUEZ All these Bonds having been sold, this announce

This announcement appears as a matter of record only

**REGION D'ILE DE FRANCE** 

Arranger

Paris branch

**BANQUE PARIBAS** 

ment appears as a matter of record only.



## A\$ 50,000,000 14 1/2 % Bonds due 1992

WESTDEUTSCHE LANDESBANK

tanty, with initiation up hy a record 934 per cent in 1988 and economic growth a negligible 0.04 per cent, private company profits look set to better the average 24 per cent return on net worth in 1987, itself a diffi-cult year for Brazil. The results are all the more superious cince executives had Came rith Inita

surprising since executives had been complaining all year abont weak political leadership, ineffectual economic poli-cies, the-growing burden of government debt, rising taxes and the new constitution intro-duced in October. But Mr Mail-

duced in October. But Mr Mail-son da Nobrega, the Finance Minister, told a business gath-ering last month: "You have nothing to complain about," Analysts give three reasons for the companies' big profits; vigorous exports, suspension of price controls for most sectors and high initiarest rates.

and high interest rates. Brazilian companies became net investors on financial mar-kets soon after the onset of the labet griefs in 1982 And th debt crisis in 1982. And, to . dept crisis in 1862. And, to . some extent, accelerating infla-tion actually helped to increase profitability, seriously affected by price controls in 1987. Consumer goods manufac-turers could fatten their profit margins all the more easily heavier of the autoing

margins all the more easily because of the confusion cre-ated by rapidly changing prices. Official figures natu-rally exclude the burgeoning underground economy, which accounts for between 30 per cent and 40 per cent of indus-

cent and 40 per cent of indus-trial output. Only the largest multination-als have announced their pre-liminary profits. Autolatina, the company which controls Ford and Volkswagen in Bra-zil, should have a net profit of \$250m to \$300m, after losing \$218m in 1987. Royal Dutch Shell's estimated 1988 net profit rose to \$13m in 1988, a 150 per cent increase in dollar terms over 1987. Rhodia, the 150 per cent increase in dollar terms over 1987. Rhodia, the local subsidiary of France's Rhône Poulenc, should make \$98m, almost twice its 1987 \$55m profit.

Other indicators show that private industry is in good shape. A survey of 120 major companies by Arthur Ander-sen, the international accountsen, me international account-ing firm, found that sales rose 50 per cent in real terms and that all sectors were profitable in the nine months to October

The engineering industry earned a 3 per cent profit over sales, compared with a 28 per cent loss in 1987. Computers had a 2 per cent return on

by linking with managements to take medium-term stakes in However, the outlook for the US and European brand-name manufacturers, also stepped up disposals during the year as earlier holdings became ready future is, as ever in Brazil, unpredictable. The country is in the same state of permanent uncertainty as it was a year earlier. Businessmen think the new anti-inflation Summer for resale Plan may cause a recession. More miracle cures and muddl-

Mr Nemir Kirdar, investorp president, yesterday attributed the result in part to "valuecreating investment manage-ment during the client holding period and timely divestiture. Among the businesses sold were Mneller, a US producer of flow controls, which raised \$366m, and two power boat makers – Bertram Trojan of



This announcement appears as a matter of record only

KREDIETBANK INTERNATIONAL GROUP

NORDDEUTSCHE LANDESBANK GIROZENTRALE

PRUDENTIAL-BACHE CAPITAL FUNDING

VEREINS- UND WESTBANK AKTIENGESELLSCHAFT

This announcement appears as a matter of record only

December 1988

**REPUBLIC OF TURKEY** PRIME MINISTRY HOUSING DEVELOPMENT AND PUBLIC PARTICIPATION ADMINISTRATION

has sold its shares in

ANSAN, ANKARA GIDA MESRUBAT **VE MEYVE SULARI** SANAYI VE TİCARET A.Ş.

to a wholly owned subsidiary of

THE COCA COLA COMPANY Atlanta - Georgia

The undersigned acted as financial advisors to The Housing Development and Public Participation Administration

LA COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD BANOUE Paris

&

TÜRK EKONOMİ BANKASI A.Ş.

Istanbul

**REPUBLIC OF TURKEY** PRIME MINISTRY

MEDA, MESRUBAT DAĞITIM VE TİCARET A.Ş.

THE COCA COLA COMPANY

The undersigned acted as financial advisors to The Housing Development and Public Participation Administration

LA COMPAGNIE FINANCIERE EDMOND DE ROTHSCHILD BANQUE

TÜRK EKONOMİ BANKASI A.Ş.

had a 2 per cent return on sus. sales, compared with a 15 per IF Mr Kanitz is right, this cent loss one year ago. The new trend is an important step steel industry's profit was up by 1 per cent, after a 6 per cent loss in 1987. Bankruptcies have ning to grow up.

HOUSING DEVELOPMENT AND PUBLIC PARTICIPATION ADMINISTRATION

has sold its shares in

to a wholly owned subsidiary of

## ANZ MCCAUGHAN

BANQUE BRUXELLES LAMBERT S.A.

21

LANDESBANK RHEINLAND-PFALZ ~ GIROZENTRALE -

More miracle cures and muddl-ing through will simply stoke inflation. "Any reduction in foreign debt service pay-ments," one businessman said, "will be frittered away on buy-ing votes at the November elec-tion and not on making over-due investments." "There is little chance that There is little chance that improving profitability will spark a resumption in eco-

nomic growth. Companies are shedding labour because they are fearful of the future. Employment in São Paulo, Brazil's industrial heartland, fell 2 per cent in 1988. Production fell 3.3 per cent in the year to

November. Furthermore, many of last year's successes were won on international markets, but growth in world demand is likely to cool this year. None-theless, some observers say theiess, some observers say companies could be reactivat-ing investments, with multina-tionals leading the field. Anto-latina has said it will invest \$1.5bn over three years, while Rhodia is to beef up its \$70m plans to \$120m. Mr Stephen Charles Kanitz

plans to \$120m. Mr Stephen Charles Kanitz, an accounting professor at the University of São Paulo, found that all 52 leading companies he surveyed are reinvesting almost 100 per cent of their profits. Arthur Andersen found that indebtedness is beginning to creep up, a sign of rising investments. The car, compo-nents and engineering indusnents and engineering indus-tries have increased their

investments the most. Surveys have also detected a change in business attitudes. Brazilians are notorious for their tactical, speculative, short-term outlook. But Mr Kanitz wrote in an essay pub-lished by the Folha de São Paulo newspaper that the most successful of the 62 companies he examined have begun

adopting a more mature, entrepreneurial, strategic mentality, Mr Umberto Aprile, an exec-utive at Unilever's Gessy Lever subsidiary, told Mr Kanitz that

"our philosophy is (to do ) a lot of long-term planning. We can't keep changing our strat-egy because of a short-lived cri-

Atlanta - Georgia

Paris

&

Istanbul

## FT GUIDE TO WORLD CURRENCIES

22

UNTRY		£ STĜ	U\$ 5	D-MARK	yen (x 100)	COUNTRY		£ STG	us ş	D-MARK	OX 1000	COUNTRY		l stg	85 S	D-MARK	YEN (X 1009
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Ventets (CV)	Peseta)	202.55	114.2091 74.3618 0.8281	62.1319 40.4542 0.4505	89.3274 58.1613	Lebanos Lesotho Liberia	(New Kip) (Lebanese D) (Maluti)	933.93 4,2373	526.6027 2_3892	286.4815 1.2997	411.8765 1.8687 0.7821	Swaziland CL	(Gel Ider) Kanges (	3.1586 4.2373	4.4898 1.7809 2.3892 6.2700	0.9688	1.3929
t Afr Ren (	(CI S) CFA Fr) CFA Fr)	1. <b>4687</b> 554.875				Litya (	0. Iberlan \$3 Libyan Olmar)	1.7735	0.2907	1.2997 0.5440 0.1581	0.7821	Switzerland	(Krona) (Fr)	4.2373 11.1200 2.7625 37.1595	1.5576	3.4110 0.8473 11.3986	1,2183
ile (Chiles	CFA Fri	1.4687 554.875 554.875 446.08 6.6159	312.8700 251.5252 3.7304 340.9247 312.8700	170.2070 170.2070 136.8343 2.0294 185.4693 170.2070 170.2070 43.2333 0.4134 0.2575	244.7078 244.7078 196.7276 2.9177	Liechersteit	(Series Fr) Cust Fr)	2,7625	15576 38.5114	0.8473 20.9509	0.2273 1.2183 30.1212		ය	49.075	20.9526 27.6712	15.0536	16.3878
na (Renoninb ombia (Co	of Peso)	604.63 554.875	340.9247	185.4693		Macto Madeira	(Patatea) (Port Escudo)	14.2190 267.70 2552.82	8.0174	4.3616	6.2707	Taiwan Tanzania ( Theiland	Shilling) (Bahu)	227.50	128.2774 25.5427 312.8700	69.7852	21.6427 100.3307 19.9779
noro is (1 1990 (Brazz) (1 Ita Rica	FA Fr	554.875 140.9407	312.8700	170.2070	244.7078	Malagasy R Malawi	(MG Fr) (Kwacha)	252 82	8.0174 150.9444 1439.4248 2.6007	783.0736	118.0595 1125.8302 2.0341	Tono Reo	(CFAFr)	554 B75	312.8700	170.2070	244,7078 0.8923 3.3166
a (Cuba	in Peso)	1_3477	312.8700 312.8700 79,4703 0.7599 0.4733	0.4134	244.7078 244.7078 62.1568 0_5943 0_3702	Malaysia Maidwe is	CRINDARD	4.6125 4.8165 15.4123	2.7158	1.4148 1.4774 4.7276	6 7970	Tonga is Trinidad/Tobago Tunisia	Pa Anga) (SD (Dinar)	2.0233 7.5204 1.6560	1.1408 4.2404 0.9337	170,2070 0.6206 2.3068 0.5079	
choslovalida (i			5.3566	2 9141 5 1932 4 9785	4.1896 7.4663 7.1576	Mali Ren	(CFA Fr) (Maitese £)	554.875 0.5944 11.0975 132.7125	8.6903 312.8700 0.3351 6.2574 74.8306	4,7276 170,2070 0,1823	244.7078 0.2621 4.8941 58,5281	Turkey	(UN) (US \$)	17735	1836.5943	999.1411 0.5440 0.6206	1436.4718 0.7821 0.8923
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unark (Danish)	Kroner	12.6500	7.1327	3,8803	5.5788	Mauritius	(Maur Rupee) Mexican Peso)	23.2138	14.2620	7.7588	11.1549	Uganda Olew U A E United Kingdom United States	Shilling) Dirbam)	290.6568 6.4968	163,8888 3,6632 0,5638	89.1585 1.9928 0.3067	128.1838
untark (Dagish ) bouti Rep (() minica (E C	기(k) F7) : 금T[[b \$] :	307.0	173.1040 2.6939 6.1356	94.1717 1.4655 3.4467	5.5788 135.3914 2.1070 4.9553		(Local Fr)	4048.40a 4032.694 11.0975	2282.7177 2273.8595 6.2574	1237.0214	1778.4740	United Kingdom United States	00	1.00 1.7735 818.63	1	0 5440	2.8651 0.4410 0.7821 361.0275
THANCAU RED (	UPEO .	11.2363		_		Miquelos Monaco Montella	(Tugrild)	11.0975 5.9376	6.2574 3.3479 2.6939	3.4041	4.8941 4.8941 2.6185	UssR	(Pesa) (Rouble)	1.0943	461.5900 0.6170	251 1134 0.3356	0.4826
		740.75e 985.00a	417.6769 555.3989	227.2239 302.1472	326.6813 434.3991	Mongolia Montserrat	(Dirbam)	14.53	8.1928	1.4656 4.4670 353.6014	2.1070	Varmatu Vatican	(Vatu) (Lira)	185.87 2389.00	104.8040	57.0153 732.8220	81.9713 1053.5832
Sahrador	ittan El (Celon)	4.182 6.8500	2.3580 4.9901	1.2828 2.7147	1.8443 3.9029	Mozambiqu	e (Metical)	1152.7408	649.9807		6.4079 508.3752			25.6578e	14.4673	7.8704	11.3154
iopia (Eshiopia	FA Fr)	554.875 3.6363	312 8700 2.0503	170.2070	244.7078	Namibia Namu is	(S A Rand) (Australian S)	4.2373	2.3892	1.2997	1.8687 0.8923 18.7289	·		67.5064	38.0639	20.7074	29.7712
kland is (		1.00 12.6500	0.5638	0.3067	0.4410 5.5788	Negal (N	(Guilder)	42.468 3.6000 3.1674	2.3892 1.1406 23.9458 2.0749	1.2997 0.6206 13.0269 1.1288	18.7289 1.6229 1.3968	Vietnam Virgio Is-Britisk Virgio Is-US	(Dong) (US \$)	5839.35 1.7735	3292.5570 1	1791.2116 0.5440	2575.2370
oe is (Daaisb i is	071650 2	12.6500 2.4768 7.5620	7.1327 1.3965 4.2638	3.8803 0.7597 2.3196	5.5/86 1.0923 3.3349 4.8941	I New Zealan	6 01250	3.1674 2.8490 1628,40	1.7859 1.6064 918.1843	0.9715	1.3968			1.7735	1	0.5440	0.7821
INCE	(Fr)	11_0975	4.2038 6.2574 312.8700 6.2574	3.4041	4.8941	Nicaragua Niger Rep Nigerta Norway	(Cordoba) (CFA Fr)	1628,40 554,875 11,9972	312,8700	0.8739 499.5092 170.2070	1,2564 718,1477 244,7078 5,2909	Western Samoa		3.7700	2.1257	1.1564	1.6626
Galana (Lo	FAFN KAIFN	554.875 11.0975 197.0	6.2574	3.4041 170.2070 3.4041 60.4294	244.7078 4.8941 86.8796	Norway	(Nalra) (Nor, Krone)	11.9972	6.7647	3.6901 3.6357	5.2909	Yemen PDR	(Ria0 (Distr)	0.6069	9.7208	5.2883 0.1861 3045.9417	7.6030 0.2676 4379.1708
			312.8700	170.2070		Oman	(Rial Omani)	0.68245	0.3847	0.2093	0.3009	Yngoslavia Zelet Ren	(Disar) (Zaire)	9929.77 432.64	5598.9681 243.9459	3045.9417	4379.170
nbla () many East (Os	stmark) 3	54.875 11.5018 3.2600	6.4853	3.5281	244.7078 5.0724 1.4377	Pakistan	(Pak. Rupee) (Bailon) Guines (Kina)	34.10	19.2275	10.4601 0.5440 0.4450	15.0385 0.7821 0.6397	Zaire Rep Zambia ( Zimbabwe	Kescia)	432.04 17.50 3.4875	9.8674	5.3680 1.0697	7.7177
many West (I	Mark) 3 (Ced0	3.2600	1.8381 229.8054	Î 125.0184	1 4377				0.8179			- Innoanard	150	3.40/3	T. 1004	2.0011	13500
alter	(G15£)	1.00	0.5638	0_3067 83.0674	179.7398 0.4410 119.4266	Paraguay	(Gottani)	566.400 1911.60a	319.3684 1077.8686	173.7423 586.3803	249.7905 843.0429	1					

ote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exp y goods; (m) Market rate; (d) Official rate; (g) perferential rate; (g) convertible rate; (r) parallel rat le data supplied by Bank of America, Economics Department, Londoo Trading Centre, Engelvies; 01 Monday, January 23, 1989, #6 January 1989 Inti devalued by approt. 29%. tes: 01, 634





# INTERNATIONAL CAPITAL MARKETS Canon shoots for \$1bn in jumbo warrants issue

INTERNATIONAL

Securities. The coupon was cut by % to 4% per cent, emphasis-ing the steady demand for the

remain strong.

BONDS

### By Andrew Freeman

JUMBO-SIZED equity warrant deal for Canon, the Japanese manufacturer of cam-Japanese manufacturer of Cam-eras and copiers, attracted most attention yesterday. New issue activity was otherwise slow, with dealers suggesting that market uncertainties were making borrowers unwilling to commit themselves. The \$1bn Canon issue is divided into two fungible

The \$1bn Canon issue is divided into two fungible tranches, \$600m in Europe and \$400m in Asia. Lead manager of the European tranche, Yamaichi Europe, said that the bonds had been well received and were quoted at around 105 bid, s. healthy premium to the par issue price.

ar issue price. The deal, which carries the standard 4% per cant indicated coupon, matures in February 1993, with final terms set on January 30. Some co-managers said the premium was encoursain the premium was encour-aging European investors to take profits: "On a quiet day , like today, there isn't much else to do," said one official. With other large equity war-rant issues sheduled for this week, including \$10n issues for Wake Grad word Witney is

tobe Steel and Mitsui, the narket's quiet tone inevitably ed to speculation that there

the bonds met good demand in Europe, where the company's operations are well known. Part of the issue will be used to might be too much paper around. However, the Nikkei index in Tokyo is trading well above the 31,000 mark and Jap-anese demand is expected to inance acquisitions. In Switzerland yesterday,

In Swinterland yearing, a Sirioun issue for the Asian Development Bank was very well received. The 10-year paper is non-callable and cap-ries a coupon of 5% per can. Terms were set on the recent \$250m issue for Mitsubishi Oil, brought to market by Nikke Priced at a discount of 9%, it was quoted at launch by the lead manager, Credit Suisse, at less 1% bid.

less 1% oud. Strong interest emerged, reflecting the market's search for a new benchmark issue for top class borrowers. By the close of trading it was quoted at less % bid, well within the selling conces sion.

In West Germany, where markets have been quiet during a hill in investor interest, the primary market is still over-suplied with new issues. Norddeutsche Landesbank Luxembourg came to the market with a DM100m five-year issue which will be placed within the parent banks own retail network and is not expected to trade widely. The parent bank was also lead manager on the deal.

Borrower US DOLLARS Canon Inc.(c) Final terms fixed orc Misuitshi Oli Co.(c)	Amount m. 600 400 250	Coupon % (4 <sup>1</sup> 2) (4 <sup>1</sup> 2) 4 <sup>1</sup> 8	Price 100 100	Maturity 1993 1993 1995	24/132 24/132 24/132 24/132	Book namer Yamaichi Int.(Europe) Singapore Nomura, Niidko Secs (Europe)
	100	0.	1014	1994	n/a	Norddeutsche Landpatienk
SWISS FRANCS Asian Development Bank	· 100	54	99 <sup>1</sup> 2	1999	N/a	Credit Suisse
	200bn	• • • • • •	1014	- 1996	-13/14	Banco di Napoli
STERLING Albert Fisher Finance(b)	35	(512-6)	100	2004	212/112	LH. Schroder Wagg

### FT INTERNATIONAL BOND SERVICE

								Closing prices on January 23
1	7	US DOLLAR			Ċ.	the square		Change or
	Ł	STRAIGHTS .	Issued	Bid	Stier.	day week	Yield	YER STRAIGHTS Intend Bid Offer May week View
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1	L	A/S Eksportfinans7 + 92		1934				Belgings 45 94 45 981 984 +01 1.00
1	1	B.F.C.E. 792	150					Catada 41 92
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d	Ł	Canada 9 96	1000					Ireland 54 93
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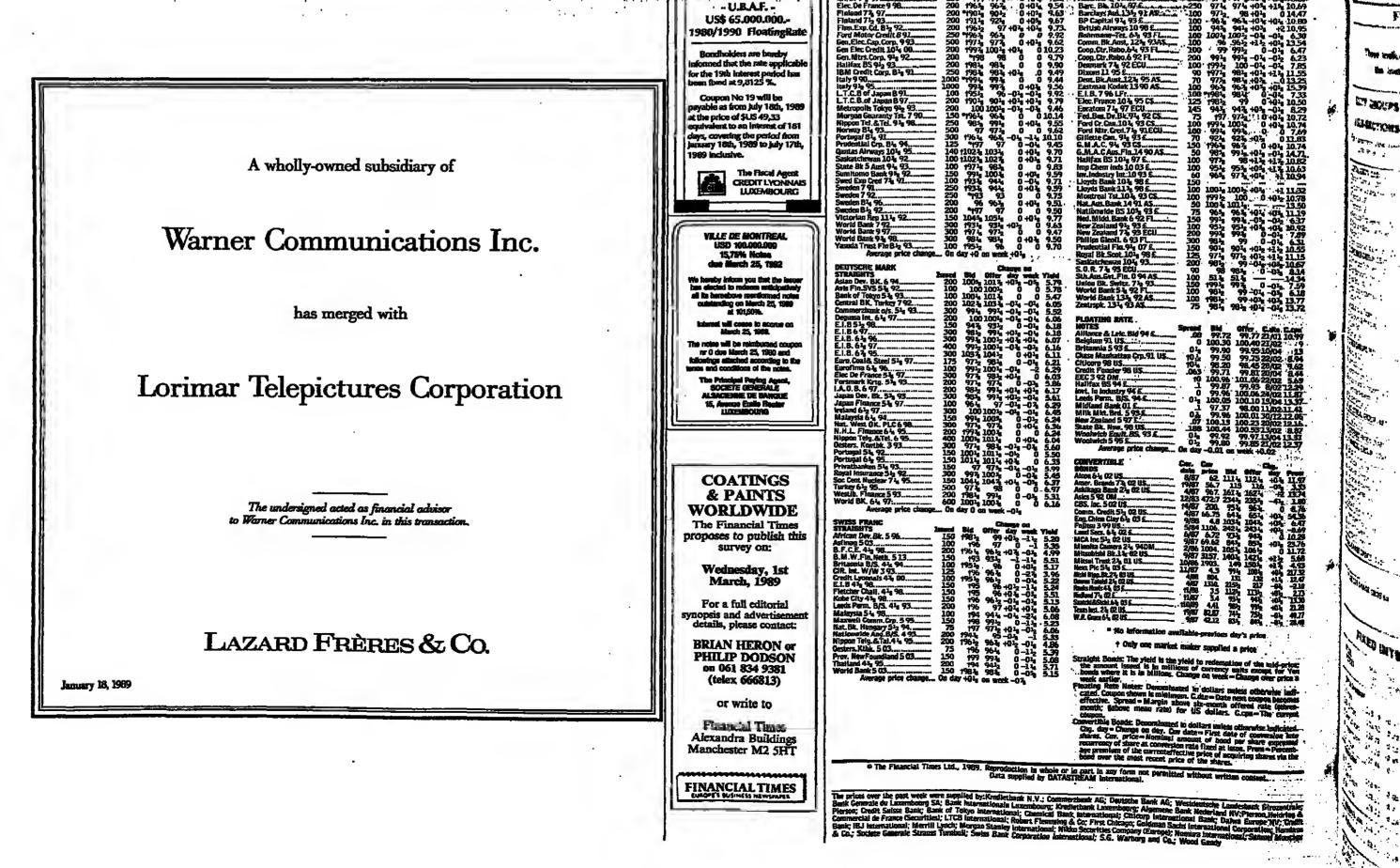
ing the steady demand for the paper. Elsewhere, Albert Fisher Finance NV tapped the Euros-terling convertible sector with a £35m issue guaranteed by its parent company, Albert Fisher. Final terms will be set on or before January 27 depending on market conditions. The paper carries an indi-cated compon of 5¼-6 per cent and matures on June 15 2004. There are investor put options and matures on June 15 2004. There are investor put options into equivalent government five-year securities in Jane 1994 and June 1999. According to the lead man-ager, J. Henry Schrodar Wagg.

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Stable

TRUSH



UNION DES BANQUES ARABES ET FRANCAISES

### **INTERNATIONAL CAPITAL MARKETS**

## Stable dollar leads **Treasuries higher**

By Janet Bush in New York and Katherine Campbell

US Treasury bonds yesterday traded quietly, scoring modest gains during the morning and then hardly moving all day. Short-dated maturities closed as modest by NatWest Capital Markets. The bank predicted base rates down to 10 per cent

as much as % point higher, while long-dated issues stood as much as % point up from Friday's close. The yield on the Treasury's benchmark long bond fell to 8.85 per cent

With no important economic data released yesterday, the dollar was about the only clear influence on the market. In comparison with its sharp falls at the end of last week because of central bank intervention and co-ordinated interest rate lises in Europe, the US cur-rency's relative steadiness gave some modest encourage-ment to bonds.

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In New York, the dollar closed at ¥127.45 and DM1 8310, well below earlier highs but not under any substantial sell-

ing pressure. The focus of the bond mar-ket this week is likely to rest on today's employment cost index which gives fairly broad data on wages and non-wage data on wages and non-wage costs and will be looked at carefully for signs of wage inflation.

On Thursday, the latest figures for durable goods orders are published and preliminary estimates for fourth-quarter GNP come out on Friday.

UK GETS

GERMANY

YESTERDAY Mr Lawson stressed that his March Budget would steer clear of inflationary tax cuts. This gave the ger at 108.22.

Coupon

by the end of the year. Most; activity is professional, though, as domestic institu-tions are still staying well away from UK bands. In recent asset allocations they have favoured domestic equities, or

else looked abroad for bond exposure. Still, some Japanese interest in gifts had been reported in early trading on Monday. As fears of base rates hike recede fears of base rates like recede fast, those at the shorter end of the market – that includes Japanese investors – are edg-ing back. The benchmark Treasury 11 % per cent due 2003-07 had hit 117.00 during the day, but was down to 116 % in late trading, still % point firmer than Fri-day's close.

FRENCH BONDS moved firmly ahead yesterday, with the thought that the gloom after central bank tightening at the end of last week had been a bit overdone.

The Japanese had reportedly been buying here too early in the day, and the strength of the franc, together with firm-ness from US Treasuries in the afternoon, encouraged at least some bear covering of short positions in the futures mar-ket. On the Matif, the March

contract on the 10-year bond ended the day 40 points stron-

### BENCHMARK GOVERNMENT BONDS

JAPAN No 111 4600 6/96 964603 +0.228 4.84 4.80 4.67 No 2 5.700 3/07 106.8383 +0.105 4.79 4.80 4.75

FRANCE BTAN 8.000 10/96 97.7569 +0.001 8.56 8.48 8.60 OAT 9.500 5/98 105.7500 +0.130 8.56 8.51 8.51

CANADA \* 10.250 12/98 101.5000 + 0.250 10.00 10.04 10.09

AUSTRALIA 12.500 1/98 97.2192 +0.229 13.02 13.05 12.90

London closing, "denotes New York close Yields: Local market standard Prices: US, UK in 32nds., others in decimal

6.750 8/96 100.5500 -0.075 6.69 6.85 6.56

Price Change Yield ago ago \$850m underwritten in the US and lead-managed by First 
 13:500
 9/92
 109-12
 +4/32
 10.34
 10.46
 10.64

 8.750
 9/96
 94-10
 +10/32
 9.74
 9.96
 10.06

 9.000
 10/05
 99-16
 +4/32
 9.05
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 9.20
 Boston.

### US TREASURY 8.875 11/88 99-07 +8/32 8.99 8.05 9.05 9.00 11/18 101-14 +8/32 8.86 8.87 8.94 **First Chicago appeal**

FIRST CHICAGO Corporation plans to apply to the Federal Reserve Board to underwrite and deal to a limited extent in corporate and related debt securities. The US bank received authority last summer to underwrite and deal in com-mercial paper and municipal bonds.

**Technicel Data/ATLAS Price Sources** 

## card-backed offering By Andrew Freeman

Citicorp

in credit

**CITICORP** Investment Bank has launched the first issue of bonds backed by credit card assets to be underwritten outside the US. Bonds worth \$150m, part of a \$1bm global offering registered with the US Securities and Exchange Commission, have been allocated to non-US investors. The issue has a three-year

maturity and carries an indi-cated coupon of 9-10 per cent - depending on the underly-ing US Treasury market when final terms are set. It has been holds a key stake. It is admittedly a modest given prime triple-A ratings by Moody's Investors Service and Standard & Poor's. Final first act in the modernisation and centralisation of trading

terms are expected today. According to a Citicorp offi-cial, the deal carries a novel feature allowing all the bonds to mature at the same time -a so-called bullet maturity rather than over a period as is

usual.

and centralisation of trading information at the Brussels bourse. But just as more stocks will be added over the next few weeks as the operation expands, so Cats (Computer Assisted Trading System) can itself be seen as the first of a oumber of potentially far-reaching changes which promise to shake up the Bel-gian financial and securities markets over the pert two to To achieve this, the lead managers have created the National Credit Card Trust 1989-91. For the first two years markets over the next two to of the Trust's life, the receiv-ables pool will be kept at \$1bn,

three years. Surprising as it may seen in a city which houses the archiusing credit card payments to meet the semi-annual coupon payments. For the third year, tects of Europe's great experi-ment in internal market derepayments will be taken direct into the Trust to accumulate the \$1bn principal which will gulation, the Brussels Stock Exchange remains one of the cosiest and best protected then be repaid to investors. Combined with a partial credit enhancement provided by Union Bank of Switzerland, the certainty of a bullet matu-Buropean institutions of its kind. Trading by open outry is restricted to a three-hour period in the middle of the day; fixed commissions are fat; and,

firms which have a monopoly tain other financial institu- one- or two-man family he curtain in Brussels is have just completed a bunner year. Pressures for a "little bang"

today going up on Cats - not the long-running musical but the long-planned electronic trading system designed to breathe new life of the kind which has already reverberated around many of into the local bourse. If all goes according to plan

reverberated around many of Enrope's smaller stock exchanges have been rising for some time, fuelled first by the efforts of the Belgian banks to break the brokers' monopoly. this morning stockbrokers linked to a central computer will, for the first time, be able and more recently by growing government concern that Brosto deal automatically and con-tinuously through their screens in the shares of three sels needs to be more competiscreens in the shares of three major quoted companies: GB-inno-BM, Belgium's largest retailer; Solvay, the big chemi-cals concern; and Tractebel, the diversified energy and com-munications group in which Société Générale de Belgique bolds a key state. tive to stave off the challenge from other centres as the trade and financial barriers come tive to stave off the challes down ahead of 1992.

Things came to a head last summer when Mr Philippe Maystadt, Belgium's Finance Maystadt, Heignin's Finance Minister, stepped into the long-running row between bro-kers and banks and set up a government-appointed commis-sion aimed at bringing the two sides together. Chaired by Mr Maystadt, its representatives included Mr Jean Peterbroeck, president of the stock president of the stock exchange's own ruling body, and Mr Leo Goldschmidt, presi-dent of the Belgian bankers' association. A key contribution in terms of ideas was made by the Finance Ministry's appro-

the Finance Ministry's appro-priately named consultant, Mr Charles Goldfinger. The trick appears to have worked, not least because of Mr Maystatt's interventionist style, which proved more effec-tive than the "hands off" approach of Mr Mark Eyskens, his predecessor. Under a deal struck late last year and quickly approved by the Bel-gian cabinet, legislation will shortly be introduced enabling stockbroking firms to be trans-formed into limited companies, thus paving the way for them to be opened up to ontside to be opened up to ontside control. As a first step banks and cer-

tain other mancat institu-tions will be able to take a 25 per cent of a broker, but this limit should disappear by Jan-uary 1, 1991, at the latest, or sooner if, as happened in France, the timetable for the reforms is advanced. reforms is advanced.

Brussels bourse raises the curtain on Cats

Tim Dickson reports on today's introduction of a computerised trading system



Philippe Maystadt: vision tempered with pragmatism

Brussels is awash with rumours of possible tie-ups for the Brave New World - but whatever the outcome (and the likilhood is that the leading Belgian commarical banks already have their stratetgies in place) the Government sees a major rationalisation of the

a major rationalisation of the widely scattered stockbroking sector as desireable. Only Peterbroeck Van Cam-penhoet (thought to be keen to remain independent with unlimited liability status), Dee-way, Sibelle, Servais (in which Groupe Bruxelles Lambert has a one-third stake), and Puisa one-third stake), and Puissant Baeyens are moderately sized broking firms by London standards, with the rest mostly

operations. Another important objective the reforms is to improve e "transparency" of the market place by centralising trans-

actions in securities, and introducing an effective report-ing system for individual trades. It is here that the brokers had something to gain in the recent negotiations, for the recent negotiations, for while they have prospered mightly in the bull markets of the last few years, the more astute have been conscious of the way large chunks of busi-ness have been alipping from their grasp. Belgian law currently allows transactions valued at more

transactions valued at more than BF10m (\$260,000) to be than BF10m (\$260,000) to be carried out away from the stock exchange, with the result that "off bourse" trades repre-sent a substantial and probably growing proportion of overall activity. No one knows how much, but estimates vary from around 25 per cent to well over 50 per cent during the hectic speculative periods which have marked the last 12 months.

The quid pro quo for the bro-kers in last year's package of reforms was the commitment to raise the existing BF10m ceiling to BF20m for trades on the cash market, and BF30m for trades on the more impor-tant forward market which accounts for roughly 65 per cent of stock exchange dealing volume.

The transmission of real time prices through Cats should in theory bolster the transparency of the market, ensuring that share prices more accurately reflect under-lying market, conditions lying market conditions, thereby making them a more elusive reference point for those trying to deal in larger blocs outside the bourse. (At

to have reached 10 per cent at times). Optimists in Brussels say that these and other proposed changes — the reduction of fees for larger transactions, the establishment of a new official **Banking and Finance Commis**sion to oversee the markets, and tentative plans for a code of conduct to deal with insider trading and other conflict of interest problems - can not only bring back business lost

the height of the La Générale

takeover tussle the price differ-ential between trades done on

and off the bourse is thought

Φ 23

to London and Paris but widen the scope of the Brussels market. The new capital brought to the broking houses, they say, should encourage the development of markets in areas like Ecu-denominated instruments, long-term debt iostrumeots and options trading.

P essimists believe that the small size of the domestic market will inevitably frustrato Mr Maystadt's ambitions, notwithstand ing Brussels' pivotal positioo in the European Community and its still impressive list of multinational companies and international banks.

No one denies that there is a long way to go. A second Mays-tadt commission is currently kooking at new ways in which Brussels can improve its com-petitive position, notably through lowering withholding tax rates from the present 25 per ceot, elimioatiog stamp duty, improving the fiscal envi-ronment for msnaged funds. and encouragiog the Ecu market.

Mr Maystadt's vision, tem-pered with the pragmatism for which all Belgian politicians are renowned, may yet pay off.

## India may allow direct foreign investment in equities Prime-Merrill

### By R.C. Murthy in Bombay

THE INDIAN Government is on the verge of allowing direct foreign investment in Indian equities, a portion of which is to be denominated in leading international currencies, mainly in US dollars, and listed on international stock

exchanges. Until now access to the

companies would, in the short Some half a dozen compa-nies, led by Tata Iron and Steel, have sought permissioo to float convertible bonds on term, support the balance of payments, which has worsened over the past two years, and would be of more "substantial long-term benefit," by way of international bourses to finance expansion plans. The lowering the debt service bur-Finance Ministry has favoured den, than commercial borrow-

the proposal. The Controller of Capital At the moment some \$1bn of Issues (CCI), part of the Finance Ministry, says capital flotation overseas by Indian new funding is thought to be in the pipeline. Tisco, Reliance Industries and J.K.Industries

have proposed to raise \$200m each, and Southern Petrochemicals Industries and Essar Group have also expressed an

interest in the proposals. The Finance Ministry is now holding talks with merchant bankers and the Reserve Bank of India, which administers the foreign exchange regulation act, on selection of an instru-ment best suited to Indian needs,

ioint funds

### By Alan Friedman in Milan

PRIME, a leading Italian unit trust jointly owned by the Flat group and Moote dei Paschi di Siena, a Tuscan bank, yesterday unveiled three new funds designed to channel Italian investment into international equity markets. A joint ven-ture with Merrill Lynch, they will be known as "Prime-Merrill" funds.

en la substance de la seconda de la seconda de la seconda de la seconda de la seconda de la seconda de la secon	LONDON MARKET STATISTICS	
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FT-ACTUARIES SHARE INDICES	RISES AND FALLS YESTERDAY	LONDON TRADED OPTIONS
	Rises Falls Same	

rity is expected to make the deal much more attractive to fund managers. The \$150m of paper offered to non-US investors is interchangeable with a further

Indian shares has been indi-rect, through two mutual funds set up by the Unit Trust of

India

thanks to the hectic battle for La Générale and a huge 52 per cent rise in the main index in

1988 (dividends included and reinvested), the 220 broking

	e the joint complication of the Financial Times, of Actuaries and the Faculty of Actuaries	Kriss         Fails         Same           British Finds         105         0         6           Corporations, Dominion and Foreign Bonts         26         1         24           Industrials         585         300         702           Financial and Properties         23         27         50           Plantations         2         2         8           Mines	CALLS         PLTS         CALLS         PLTS           Option         Jan         Apr         Jul         Jan         Jan         Apr         Jul         Jan         Apr
EQUITY GROUPS	Monday January 23 1989 20 19 18 (approx)	Others	(*230) 240 <u>1</u> <u>1</u> <u>1</u> <u>1</u> <u>1</u> <u>1</u> <u>1</u> <u>1</u> <u>1</u> <u>1</u>
SUB-SECTIONS Figures in parentheses show number of stocks per section	Index Day's Change GMax_J (Act at Cher) to date No. No. No.	Totats 1,109 546 1,292	British Scori         50         194         215         234         4         15         15         300         3         12         -         34         40         -           British Scori         60         94         125         134         4         1         25         8         7         300         3         12         -         34         40         -           700         60         94         1252         134         4         1         25         8         7         14         53         6         12         23         3         6         14         23         3         6         14         23         3         6         14         23         3         6         14         23         3         6         14         23         3         7         13         43         3         3         6         14         23         32         4         23         32         4         23         32         4         23         32         4         33         55         4         23         32         4         33         33         55         4         23         32         4
25 Food Manufacturing (21) 26 Food Retailing (15) 27 Health and Household (13)	449.51         +4.5         11.63         4.29         11.11         0.32         844.38         838.16         829.55         741.25           1953.38         +1.3         12.19         4.32         18.17         9.40         1949.26         193.40         1924.97         741.45           1257.76         +0.3         12.40         3.82         18.17         9.40         1948.26         193.40         1924.97         744.54           2469.42         +0.8         8.76         4.57         13.76         8.40         1973.40         1581.73         1586.88         1952.47           2469.42         +0.8         8.76         4.57         13.76         8.40         1951.40         1973.12         1986.63         152.07           2469.42         +1.1         10.62         4.18         11.46         0.43         443.57         440.17         307.37           447.65         +6.7         15.74         6.84         7.11         9.00         276.45         275.45         271.41         272.96           1232.11         +1.5         11.72         4.71         9.71         9.00         276.45         275.45         271.41         272.96           1295.47         9	London Recent Issues           EQUITIES           Image         Analy         1988/00         Sant         Data Mage         Mat	$\begin{array}{c c c c c c c c c c c c c c c c c c c $
42 Chemicals (22) 43 Conglomerates (12) 45 Shipping and Transport (12)	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	FEX.IED         INTEREST         Stock         Coding         + 0"           East         Paid         Annacci         1998/99         Socia         Price         + 0"           £         10         Date         High         Low         Socia         Price         + 0"           100p         F.P.         -         100p         High         Low         Mappin Metals (hydro) Can Bit PT 10p         100p         100p         -         -         100p	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$
FT-SE 100 SHARE INDEX:	Index Day's Day's Day's Jan Jan Jan Jan Jan Year No. Ghonge High (a) Low (b) 20 19 10 17 16 and 1924.7 47.2 1938.6 1917.5 1917.5 1918.8 1892.1 1867.7 1871.8 1762.2	RIGHTS OFFERS           Inne         Amount         Latest         1988/89         State         Gaming Price         + or           p         zp         Date         High         Lor         State         p         + or	Option         Jan         Apr         Aug         Jan         Apr         Aug           GEC         200         7         15         26         1 <sup>2</sup> / <sub>4</sub> 8         11           Cellon         1200         7         15         26         1 <sup>2</sup> / <sub>4</sub> 8         11           Cellon         200         7         15         26         1 <sup>2</sup> / <sub>4</sub> 8         11           Cellon         Jan         Apr         Aug         Jan         Apr         Aug         11           Cellon         Jan         Apr         Aug         Jan         Apr         Aug         11         19         19           Detion         Jan         Apr         Aug         Jan         Apr         Aug         Jan         Apr         Jan         Jan
FIXED INTER	ST AVERAGE CROSS Mon Frit Year RESEMPTION VIELRS Jan Jan ago 23 20 (approx.)	93         Hit         21/2         13 pm         Hit         20/2         3 pm         1 pm         Hit         20         20 mm         1 pm         Hit         20 mm         Hit         20 mm         1 pm         Hit         20 mm         Hit<	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$
PRICE INDECES         Mon Jan         Day's change         F 23           Britisk Generament 1.5 years         118.79         +0.17         114           2.5-25 years         136.02         +8.39         134           3 Over 15 years         150.00         +8.32         245           4 Irredeentables         171.22         +0.45         176           5 All stocks         133.46         +0.31         133	rd adj.     xd adj.	100 m 2022 Land A second and a strategy and the second strategy and the second strategy and the second strategy and the second strategy and the second strategy and the second strategy and the second strategy and s	$ \begin{array}{ c c c c c c c c c c c c c c c c c c c$
Inter-Uniti           6         5 years	.85         -         0.09         11         Inflation rate 5%         5yrs.         3.53         3.55         2.36           .85         -         0.09         12         Inflation rate 5%         Over 5 yrs.         3.70         3.71         4.00           .94         -         0.42         13         Inflation rate 10%         5 yrs.         2.22         2.24         1.40           .97         -         0.38         14         inflation rate 10%         6 years         13.52         3.53         3.83           .97         -         0.38         14         inflation rate 10%         6 years         11.70         11.69         10.83           .92         -         0.25         16         Lamm         15 years         11.73         11.73         10.78	TRADITIONAL OPTIONS  First Dealings Jan 23 Guotient, Wiggins, Hyman, York Last Dealings Feb 3 Trst, Tesco, Ibstock Johnson,	(*253)         360         12         26         36         16         28         30           Catness (*358)         3300         64         76         1         2         4         Option         Jan         Feb         Mar         Apr         Jan         Feb         Mar         Apr           (*358)         3300         56         42         50         1         2         4         10         Feb         Mar         Apr         Jan         Feb         Mar         Apr         Apr           (*358)         350         12         20         30         10         15         17         Findex         1700         230         243         257         -         <
10 Preference	35         -         0.17         18         Preference         10.16         10.17         10.62           934.5; Noon 1935.6; 1 pm 1936.6; 2 pm 1937.7; 3 pm 1935.4; 4 pm 1923.9; 4 05 pm 1923.8         1000 pm 1923.8         1000 pm 1923.8           Jones record, base dates, values and constituent changes are published to Starday issues. A list of huminal Times, Bracken House, Cannon Street, London ECAP 4BY, price 15p, by post 34p.	Last Daalings Feb 3 Trst, Tesco, Ibstock Johnson, Last Declarations May 4 Templeton & Galbraith, Rand- For satilement May 15 sworth, Brit Steel, Burton Grp, N For rate indications see end of London Share Sprvice Arrow. P/C Eagle Tret, Storm- Calls In Lonrbo, Edmond Hidgs, gard.	(4774)       500       14       35       57       780       50       50       58       130       145       158       170       15       4       8       12         P. 6.0.       500       103       113       118       114       4       7       1800       30       100       113       126       1       9       14       33       33       33       33       33       33       33       33       33       33       33       33       33       30       43       54       33       30       46       45       55       56       33       35       32       35       2000       2       102       12       15       1950       9       30       43       54       48       55         9       106       32       43       15       32       35       2000       2       102       12       23       30       40       48       55         9       116       15       32       35       2000       2       102       12       12       918       12       918         10/250       220       16       25       24       4 <td< td=""></td<>
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### **UK COMPANY NEWS**

Reed chief sits well on top of cash pile Raymond Snoddy reports on the softly-softly acquisitions approach of Peter Davis

S THE characters in the John Steinbeck A the John Steinbeck novel Tortilla Flat rap-idly found out, sudden wealth can be an enormous burden.

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Ever since Mr Peter Davis, chief executive of Reed International, the publishing and information group, took up his position last year on top of the \$300m pile of cash generated by the sale of Reed's manufacturing activities the stream of potential suitors and mendicants has been constant.

Reed's cash pile may not be in the same class as Lord Weinstock's over at GEC, but it takes some looking after all the

"In terms of black books and confidential letters from banks, then there's something in the medium category (£50m-£250m) almost every day of the week," says Mr Davis, sinking content-edly into the corner of a large sofa in Reed's palatial new London headquarters next door to the Egyptian Embassy. The weekend before last, Mr Davis, a former assistant managing director of J. Sainsbury, the grocery group, was called at home on Saturday and offered a major acquisition prospect, followed by another the next day.

Without really trying, Mr Davis saye, he could get through £200m a week, and as a member of the nouvean cash rich he has had to learn quickly the gentle art of saying

unckly the gentle art of saying no more often than maybe. "Part of my job is to reas-sure shareholders that we are not buying anything that moves. The downside is that people think you can't do any-thing," says Mr Davis who has played a central role in turning Reed from an industrial con-

glomerate into a major interna-tional player in publishing and information. Last year Reed was explor-ing the prospect of a major deal with Pearson, the publish-

ing and industrial group that publishes the Financial Times. Mr Davis suggested a friendly merger, but Lord Blak-enham, Pearson's chairman, declined and Pearson then declined and Pearson then entered a strategic relationship with Elsevier, the Dutch pub-lishing group, effectively tak-ing Pearson out of play. To the frustration of the City, which has a considerable amount of for arcticement and

appetite for excitement and drama, Reed has ostentatiously not made a major acquisition. It has, however, looked at many, including Dun and Brad-street's Official Airline Guides division, which went instead to publisher Mr Robert Maxwell for \$425m.

There is, according to Mr Bric de Bellaigue, publishing analyst at stockbroker CIBC Securities, some "slight disap-pointment" that Reed has not so far used its potential finan-cial muscle of up to £1.5bn in cash and borrowings. He con-cedes, bowever, that its "add-on" acquisitions in recent months have made a lot of sense and will have a useful

effect on profits. Since last March the steady stream of "add-ons" have totalled more than £200m. Although few have been large enough individually to produce headlines, they have all expanded Reed's new core business of publishing, particularly business to business publish-ing, or trade press as it used to be called. This sector now



Peter Davis: controls potential financial muscle up to £1.5bn

In April Reed bought Communication/Today, a stable of US business magazines special-ising in the home furnishing retail and manufacturing industries, for \$41.65m (123.5m) plus a potential further \$20m linked to profits.

Titles such as The Profes-sional Upholsterer may not be sional opicializer may not be on the more glamorous side of publishing, but according to Mr Davis there is nothing dowdy about the profits such titles produce. There has also been the excutition of 50 per point of

acquisition of 50 per cent of Book Club Associates for £52m and the recent purchase of Mr Eddy Shah's Messenger Group of local newspapers in north-west England for £25 25m

Individual magazine purchases in the past nine months have included Steroids Jour-nal, Social Sciences Insight and the Croydon and Bromley Property News. A further £25m has been spent on in-bouse accounts for about half of Reed's total activities. development, money that comes straight from the profit

Despite repeatedly warning shareholders that the softly softly approach to running down a cash pile is a perfectly

oown a cash pile is a penecky respectable option. Mr Davis feels that people do not believe him and dismiss it out of hand. "We are spending faster than we are generating cash flow, so it will go down over a period of time - I would guess two to time - I would guess two to three years at the present rate. But one medium acquisition -say the TV Times (the televi-sion listings magazines recently put on the market by the ITV companies) could change that," Mr Davis says. Many of the acquisition pro-posals come up from the divi-sions, and board assessment of divisional management is a

divisional management is a key factor in whether tha money is forthcoming or not. The main focus of expansion is likely to be in the US, conti-nental Europe and the Far East rather than in Britain, Mr

Davis believes. As well as deciding what to buy and what not to buy Mr Davis must always look over his shoulder at the stock market implications of his strat-egy. The strategic withdrawal from manufacturing businesses such as paper and pack-aging has for the time being brought earnings per share growth to an end. "There are restrictions on

how high a price we can pay without doing further demage to earnings per share," Mr Davis emphasizes. Reed, which exceeded City expectations with pre-tax prof-

its of £133.2m on turnover of £905.2m in the six months to October 2, believes there are considerable advantages in a cautious approach to acquisi-

The cash pile is held in ster-ling deposits "long enough to get decent rates of interest and short enough to use it if we

need it for a bid." Despite spending more than 2200m, the combination of high interest rates and cash flow generated by acquisitions has kept the cash pile well above 2700m The non-stop arrival of black books - confidential dossiers

on companies or divisions for sale - is another important advantage of being courted. Such documents cannot be cop-ied and must be returned. But Mr Davis concedes laconically: "I think we have learned an awful lot in the process." And as many of the black books involve the sale of a divi-

sion of large international com-panies, Mr Davis says he has also learned a great deal about the business and how

Reed'scompetitors operate. While the cash pile contin-nes to earn interest, Reed also hopes that a more blustery business climate will blow some of the froth off the pur-chase wice of mablishing comchase price of publishing companie

Reed might one day surprise everyone with an enormous acquisition, but Mr Davis is adamant that there is no one thing so right for the company that caution will be thrown to

the winds. " It wouldn't surprise me if there waan't any dramatic change and we just kept on making small to medium acquisitions and still have a lot of cash at the end of the year," says Mr Davis, who can obvi-ously cope with wealth better than an inhabitant of Tortilla

**Bowater** not

trial products group confirmed that last week it paid 269.35m

Cambrian settles with Inland Revenue

### By Nikki Tait

CAMBRIAN & General Securities announced yester-day that it had reached a settlement with the Inland Revenue over the amounts payable by the trust. And the directors by the trust. And the directors say that they are satisfied that the remaining provisions made by the trust are realistic. The investment trust, which was once a UK vehicle for Mr Ivan Boesky, is facing a \$71.4m offer from US-based Leucadia National Corpora-tion. Cambrian's directors said that as a result of the settlethat as a result of the settle-ment the discount to net asset

ment the discount to net asset value, after provisions, in the Leucadia offer was no longer appropriate and that share-holders should hold out for a fair price. Cambrian's problems with the Revenue date back to Mr Boesky's days. The basis on which the settlement has been reached involves the tax anthorities agreeing to give reached involves the tax anthorities agreeing to give Cambrian investment trust stains for the years up to the end of September 1987, but Cambrian accepting that cer-tain profits made during this period should be subject to

period should be suffect to corporation tax. Yesterday its advisers, S. G. Warburg, declined to say what sum would be paid to the Revenue or the extent to which this differed from the provision made.

sion made. Warburgs added that provi-sions were viewed as "one big pot", covering both potential litigation and tax liabilities. The litigation situation has still to be resolved. Although Leucadia declared its bid final when it increased its bid final when it increased

its offer, there are various circumstances ander which it could after the terms, of which resolution, of the tax uncer-

tainties is one. Last night, Hambros, advis-ing Leucadia, were awaiting the latest document from Cambrian to shareholders and were reluctant to comment on the strength of the announcement alone.

### **Recovery at NWBI**

National Westminster Bancorp Inc, the US banking subsidiary of the UK clearer, unvelled a net profit of \$129.9m (£73.45m) for 1988.

Acsis up at £3.68m and seeks to raise borrowing powers By NBdu Talt

ACSIS, the USM-quoted, marketing services company, being built out of the former Acsis Jawellery shell by South. African Mr Darryl Phillips, yes-terday reported pre-tax profits of £3.68m for the 12 months to December 31. The figure covers a period of

• COMMENT: The first few years' develop-ment of any shell situation tends to tell investors more about new management's deal-making skills - and its ability to persuade investors to take up more paper - than shout longer-term prospects. War-ranted profits, after all have a knack of being met. That said, it is to Acsis's credit that it has pushed through deals in an exceptionally difficult post-crash climate; appears, in the view of most analysts, to be carving out some handy niches in the marketing services area; and yesterday showed off its internal controls by producing an annual report alongside results. If Acsis makes the Sim being forecast by analysis for the carrent year, the rating, at 11-12 times prospective earn-ings, is perhaps 25 per cent-higher than that of the agen-cies sector generally - a pre-mium which is probably justi-fied. To what extent Acsis-keeps up the acoustion pees is a most noint. Its last share of \$2.55m for the 12 means the December 31. The figure covers a period of rapid acquisitions - 11 overall - all of which have been merg-er-accounted. On this basis, the comparable 1987 figure is £1.99m before tax, while earn-ings per share rose from 1.99 to 2.80 on a fully-diluted basis. The company is also return-ing to the dividend list, with a payment of 0.69 a share, the first since 1985. Yesterday, Acsis shares added 20 to 509. The fastest growth was in the continuity sales promotion side - where the IMC group was acquired in Novembar. Here, trading profits (on the

Here, trading profits (on the merger-accounted basis) rose from £509,00 to £1.22m. Media sales chipped in £1m (£460,000), and interior design, £516,000 (£205,000). The lowest growth was

shown by the recruitment busi-nesses, from £802,000 to £992,000, although Acsis said keeps up the acquisition pace is a most point. Its last share issue had a poor response, this was due partly to bead office costs and certain one-off

demonstrating partly how frag-ile markets still are, and Interest charges cost £54,000 (£11,000 surplus), and tax took £1.34m (£830,000). Below the line, there was an £180,000 ertraordinary cost, reflecting the deficit on the disposal of the jewellery business. Acsis is following the Han-son route, and asking share-holders to amend its articles so

ile markets still are, and although the balance sheet is healthy, cash is obviously lim-ited. Against that, Acais main-tains that vendors' expecta-tions are finally becoming more realistic. Hopefully so -but it is no criticism of the group itself if becoming another WPP in today's market conditions is a rather tougher that acquired goodwill can be included in the calculation of

## Setback for Kingsgrange

### By David Waller

KINGSGRANGE, the scented said that the growth in US costs had coincided with a rise day reported interim pre-tax in turnover (turnover in the profits down by a half. In the six months to read-October last year, the company made prof-its of £542,000, against £1.08m in the first half of 1967. The company blamed the deline on detar interest when

first half rose from £8.65m to £11,94m). The acceleration in coats was set to be arrested with a joint venture agreement completed yesterday. Under this agreement, two decline on rising interest rates Canadian businessmen have taken a 50 per cent stake in Kingsgrange's North American businesses; one of the men, Mr Lyle Blair, is to join the Kings-grange board with immediate effect. (as reflected in an interest bill up from £14,000 to £441,000) and the costs of expanding the business in the US. Problems in North America had already caused profits for the whole of 1987-86 Lopple from £1.34m to inst £170.000

## Evered buys aggregates for £20.5m cash By Nikki Tait

EVERED HOLDINGS, the building products group which earlier this month announced the impending departures of its chairman Mr Raschid and chief executive Mr Osman Abdullah, yesterday unveiled a £20.5msto plus expansion of its UK quarries business.

In a move that will bring in an extra 50m tons of aggregate reserves, the company is

acquiring six quarries in Yorkshire and County Durham from the privately-owned Ogden Group. The deal also includes black-

top plants and an architectural £14m. ne business.

Evered is paying an initial 220.5m in cash. A further 52m will become payable if cartain planning consents at one

quarry are secured. The quarry companies being acquired made adjusted pre-tax profits of £2m in 1987, and are expected to have aggregate net assets at completion of about

Mr Roy Kettle, the new group chief executive, said that the acquisition of the Peckfield or any approaches, and that any such action would be Quarry in Leeds also offers waste landfill opportunities -"strennously resisted".

bidding for Norton Opax an area into which he sees By Andrew Hill Everad expanding. Since the news of the Abdul-

BOWATER INDUSTRIES said lahs' prospective departure, yesterday that at the moment it had no intention of mount-ing a full hid for Norton Opax, Evered has attracted some hid speculation, althoogh its shares eased 3p to 128p yester-day. Mr Kettle said that he was the specialist and security unaware of any stakebuilding printer The packaging and indus-

	for a 24.4 per cent stake in Bowater, consisting of ordinary	I The COSIS OI PROBABILITY THE DUSINESSES, ODE OF THE INE
£60,000,000	Bowater, consisting of ordinary and voting preference shares and including a holding of about 24 per cent belonging to Mr Robert Maxwell's vehicle, Bishopegate Investment Trust.	a net deficit of 1223.6m in the previous year. Mr William T Knowles, chairman and chief we have been been been been been been been be
	The group would not com- ment about its reasons for buy-	ble impact of the acquisition DIVIDENDS ANNOUNCED
<b>Renown Petroleum Limited</b>	ing the stake, but yesterday's brief statement rules out a full offer for at least three months, nuless another predator emerges.	Dividence       Correstion         In February 1988 of National Westminster Bancorp NJ, the former First Jersey National Corporation.       Dividendity Sannous         Correst - Total Correst - Total Payment Date of payment dividend year       Total for ponding year       Total for year         Correst - Total Correst - Total Correst - Total Payment dividend year       Total for year       Total for year         Correst - Total Correst - Total       Total for year       Total for year       Total for year         Corporation.       Correst - Total payment       Total year       Total year       Total year         Corporation.       Correst - Total payment       Total year       Total year       Total year       Total year         Corporation.       Correst - Total       Total year       Total year       Total year       Total year         Corporation.       Corporation       Corporation       Corporation       Corporation       Corporation         Corporation       <
Part guaranteed by	Shares in both groups were almost unchanged yesterday with Bowater down 1%p to 434p, and Norton Opax down 1p to 173p, capitalising the group at about £246m.	HTOGIMORE Stake       Gibbs Mew 5      int       2.75x       -       2.5x       -         Markbeath Securities, the UK       Kenyon Secs 5      int       2.75       -       0.75       -       0.75         Adelaide Steamship, has lifted       Particle      int       1.6       Apr 7       1.2       -       -       1.5       2.25         Print Leisure 5      int       1.5t       Mar 6       1.46       -       4
<b>Renown Energy Limited</b>	The two companies will meet today to discuss the holding, and Bowater is planning brief- ings tomorrow to outline the strategy behind the purchase.	its holding in Frogmore       Shellon(Marin)Sint 0.5 Feb 27 0.5         Estates, the property develop- ment and investment group, to       Shellon(Marin)Sint 0.5 Feb 27 0.5         inst jug when the stake since isst jug when it disclosed a 5       Dividends shown pence per share net except where otherwise a "Equivalent after allowing for scrip issue. 1On capital increase rights and/or acquisition issues. \$USM stock. \$Stinquoted stock. 4 market. Ancludes 1p property dividend.
MULTIPLE-OPTION TEN YEAR FACILITY	Bowater has recently been selling peripheral operations to concentrate on its core packag- ing and industrial products businesses, raising more than £50m since last summer.	i per cont hubing.
consisting of Corporate Tranche Limited-Recourse Tranche for Field Development Acquisitions Tranche	Analysts speculated yester- day that Bowater, which would be hard-pressed to finance a full-bid, might attempt to jus- tify the purchase as an exchange of underperforming businesses for a higher quality investment.	E31,600,000
Arranger and Agent	They also suggested that Bowater might wish to come to a friendly arrangement with Norton, which announced pre- tax profits of £35.6m in the year to the end of September.	For the acquisition and redevelopment of Hanway House, Red Lion Square
BARCLAYS BANK PLC Provided by	•Scott Paper, world's larg- est maker of sanitary tissue, has concluded negotiations to buy Cross Paperware, based in Dunstable, Bedfordshire, from Bowater for £14.7m. Cross has annual sales of £20m.	London WC1 by a joint venture between Stanhope Properties and Kalima Europe
Barclays Bank PLC Deutsche Bank Aktiengesellschaft, London Branch (Engineering Banks)	Scott believes the market for disposable foodservice items, such as paper plates and map' kins, plastic cups and cutlery, is expanding and further acqui- sitions could follow.	Stannope Properties and Kajima Europe PLC B.V. Arranged by The Sumitomo Bank, Limited
Algemene Bank Nederland N.V. The Hongkong and Shanghai Banking Corporation Midland Bank plc	BOARD MEETINGS The following companies have notified datas of board neetings to the Stock Exchange. Such maetings are usually haid for the pul- pose of considering dividends. Official indice- forms are not evaluative as to whateve the dividends are kitterians or single and the sch- dividends are kitterians. TOOAY Interians- Roose. Johanmachure Dans Int.	Provided by The Sumitomo Bank, Limited The Bank of Tokyo, Ltd Kleinwort Benson Limited The Kyowa Bank Lt
Financial Adviser to the Borrower	Interime-Floges, Johannesburg Cons Inv, Kakuz, McKay Securitics, Murray Strailer Markets, Pathinder, Practical Investment, Saville Gordon (J). Finale-Bick, Company of Deeigners, Goring Kerr, Nash Industries, Norsk Dats, RDO, Spice, Tace.	Property adviser to the banks
Kleinwort Benson Limited	POTLINE DATED	Hillier Parker
Barclays Bank PLC is a member of IMRO	Arrowski data 20 Auroneon Bell - Bell - C Sch Hiermational Bell - G Barkery Covet Jan 30 Guidness Apr 6 Throgenotion Trust Jan 51	The Sumitomo Bank, Limited

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£3.68m

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ANUFACTURERS



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**"OBJECTIVES MET AND SURPASSED"** 

> "We began 1988 by putting forth what some characterized as an ambitious financial plan. I'm pleased to report our objectives have been met and in some cases surpassed. Year-end highlights include:

- Net earnings total \$966 million.
- Common shareholders' equity ratio climbs to 4.30 percent.
- Total shareholders' equity ratio reaches 4.89 percent.

"Our common equity ratio is now higher than it was before the reserving action in June of 1987. In fact, our year-end numbers indicate that we currently meet the risk-based capital guidelines set to take effect in 1992, including the four percent Tier 1, requirement.

"While we are pleased with these meaningful accomplishments, there should be no doubt that we plan to continue to build capital, improve credit quality and zealously manage expenses.

"We showed earnings progress in several of our core businesses, with investment banking and retail banking maintaining their strong performance, while global corporate banking improved based on better credit experience. In addition, The CIT Group showed a threefold increase in earnings to \$120 million. Continuing to more sharply focus our core businesses is central to our 1989 financial plan."

Chief Executive Office

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## **UK COMPANY NEWS**

## Alexanders The expensive business of defensive action Kenneth Gooding on the state of play in Gold Fields' fight against Minorco's bid

ONSOLIDATED GOLD Fields, the UK-based diversified mining group, has so far spent nearly £20m fighting off the hostile approaches of Minorco, the South African-controlled investment company. And the bill will go on increasing because the bitter corporate battle between the two compa-nies is moving into a critical

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hase. In Britain, the Monopolies and Mergers Commission deliv-ered yesterday to Lord Young, the trade and industry secre-tary, its report on Minorco's \$2.9bn hostile bid for Gold

Fields. In New York, meanwhile, an appeal court is aspected shortly to give its verdict on a preliminary injunction issued by the US Federal Court which effectively prevented Minorco going ahead with its offer for Gold Fields.

The implications of this judgment were obscured because it was made on Octo-ber 25, the same day as the bid was referred to the UK's MMC. The New York judge said he was taking immediate action to was taking immediate action to stop the offer until a full hear-argued that Gold Fields was

ing of anti-trust allegations against Minorco could take place in the US, because "once a takeover has occurred it is difficult, if not impossible, to

If that US injunction is npheld on appeal, it would have just as serious an impact on Minorco's plans as an adverse MMC report.

adverse MMC report. The intensive worldwide campaign waged by Gold Fields has also left other obsta-cles in Minorco's path even if Lord Young givas it the go-shead to bid again for the UK company. The European Commission said it was examining whether

said it was examining whether the hid had involved a breach of Community rules. This of inquiry has apparently been put on ice until the result of the MMC investigation and Lord Young's decision is known

The US authorities also held fire on petitions sent by Gold Fields and Minorco to than-President Ronald Reagan. Gold Fields asked Mr Reagan

to intervene on the grounds that the bid would endanger



Lord Young - under political pressure to delay publication

blatantly misusing the US regulations by presenting its peti-tion. The bid lapsed before the US authorities could give any ruling, bnt Mr David Milford, Assistant Secretary for Inter-might be further investigation in the event of a renewed offer.

If Minorco was to bid again, Gold Flelds intends to chal-lenge the decision by Chemical Bank to provide about \$300m of the \$1.4bn financial package

Minorco put in place for the original offer. Chemical has been under considerable pres-sure from New York City offi-cials and has agreed it will make no more loans to South African-controlled companies.

Mr Roger Pbillimore, Minorco's commercial director, said recently that the Chemical Saih recently that the chemical Bank finance was still in place. Gold Fields' US lawyers, hav-ing examined the documents, will argue, however, that the agreement between Minorco and Chemical lapsed with the

London analysts are divided London analysis are invided in their opinions about the pos-sible ontcome of the MMC inquiry. Some suggest that the reference was purely political because the Government did not want any more UK assets failing under South African influence, so any further bid by Minorco was likely to be blocked.

Others accept Lord Young's insistence that the bid was refered entirely on competition grounds. However, they say no reasonabla competition case can be presented and that Lord Young, in the circumstances, must give Minorco clearance to inspectors' finding

bid again if it wishes. A third group suggests that the outcome might be a com-promise, with Lord Young insisting thet certain condi-tions be met before Minorco could proceed. However, Gold Fields has lobbied strongly against this course, saying that, because so many of the assets involved are outside the UK, it would be difficult for the British anthorities to police

British anthorities to police any arrangement. any arrangement. Lord Young has also been under political pressure to hold mp publication of the MMC report until he has seen the results of the separate inquiry by DTI inspectors into possible insider trading in Gold Fields' shares in the six months lead-ing up to the Minorco bid. Some analysts believe that Some analysts believe that

the inspectors' report - the contents of which would not be made public - will probably not reach Lord Young until June. He is under no statutory obligation to publish the MMC report before then but, if he decided to wait, he would almost certainly tell the two companies that he proposed to hold on until he had DTI sions "

Cowie has stated that it is interested in further acquisi-tions and is known to have minority interests in several companies in the motor-deal-

companies in the motor-deal-ing sector. Mr Tom Cowie, chairman, has a record of acquiring com-panies and buying sharehold-ings in other motor dealers. On January 12, Cowie dis-closed the purchase of a 7.35 per cent stake in Lookers, the Manchester-based motor dealer. A 9.6 per cent stake in Trimoco was sold in Decem-ber.

Alexanders earlier this month announced record pre-tax profits of £1.73m in the year to September 30 1988. The shares rose 5p yesterday to close at 47p.

**BIA shares fall** then rise after **ILG** withdraws Shares in USM-quoted British Island Airways, which said on Friday it had received a num-ber of approaches, fluctuated sharply yesterday after Inter-national Leisure Group roled itself out as a bidder, writes Clare Pearson. The amongement by ILC.

The announcement by ILG, the private tour operator chaired by Mr Harry Good-man; sent BIA shares tom-bling 43p to 95p. But they climbed back to 129p after BIA combuded the worked that its reminded the market that its Friday appouncement ha referred to a number of approaches - not just one -that might or might not lead to an offer being made. Mr Peter Villa, BIA chair-man, said discussions with ILG had been purely explor-

## Subsidiary of failed Sound Diffusion sold to managers By Phillp Coggan suspended at 22p on December 5 — have no value and aggrieved investors in the cem-pany have called for the affair to be investigated by the Department of Trade and Industry.

ONE OF the main basinesses of Sound Diffusion, the electri-cal equipment group which went into receivership at the end of last year, has been sold to a company involving many of Sound Diffusion's former

Industry. New management, led by Mr. David. Macdonald. 3 former director-general of the Take-over Panel, was brought inte Sound Diffusion at the end of 1987, following the resignation of Mr Paul Stonor, the former chairmen management. Mr George Ehlers, former finance director of Sound Diffu-sion, confirmed yesterday that he was a director and share-holder of Bowcom, which has bonght the manufacturing arm of Sound Diffusion from the measures

In April 1988, after making substantial write-offs to reflect a change in accounting poli-cies, Sound Diffusion launched or Sound Diffusion from the receivers. Also involved in Bowcom are Mr David Rosbrook, the former technical director, and Mr Frank Andrew, who was appointed managing director just weeks before Touche Ross was appointed receiver. Mr Ehlers said he was not at liberty to disclose the mice a £10m rights issue to recarda Lum rights issue to recard talise the group. Investors including Mr Mich-ael Dawson, chairman of Tun-stall, which owned 4.9 per cent of Sound Diffusion have been particularly upset that the rights issue circular included

Mr Ehlers said he was not at liberty to disclose the price paid, although he understood that Bowcom had been in com-petition with other bidders. The rental business of Sound Diffusion, has been acquired by Colemain Customer Services, which it is believed is owned by a consortium of banks. Touche Ross has already declared that the ordinary shares of Sound Diffusion ine statement "your directors are now confident that the problems of the past are behind as and that the com-pany will enjoy a successful year in 1988."

Sound Diffusion was capital, ised at about £31m when the shares were suspended.

## **Triplex Lloyd takes** 1.4% stake in J Neill By Philip Coggan

TRIPLEX LLOYD, the foundries and engineering group, yesterday confirmed that if had acquired a 1.4 per cent stake in James Neill Hold-ings, the tool manufacturer

Mr Doel said Tripler "had no plans, at present, to add to our stake". Tripler was busy assi-milating Christy Lloyd, the castings, electro-mechanical services and car components group which it acquired in December. James Neill abares closed 7p higher at 1990. \* Meanwhile, Tripler has dis-posed of the Taylor Tunnicliffa-business of Christy Hini' for £1.73m, The buyer is Major-graph, a private company. Conbest known for its Spear & Jackson range. Mr James Doel, Triplex chief executive, said that be had written to James Naill last October suggesting co-opera-tion but had been rebuffed. Tri-pley subsequently acquired tion but had been rebuffed. Tri-plex subsequently acquired 375,000 shares. But Mr Doel added that Triplex was "not in the habit of making hostile hids" although he thought James Neill was "a very inter-esting company. which was

graph, a private company. Con-sideration is \$1.28m cash with the remainder being satisfied by the repayment of intra-com-pany debt.

stuffed to the gunwales with

brands". Mr Doel said Triplex "had no

## AMEC establishes joint venture in Portugal

By Andrew Taylor, Construction Correspondent AMEC, which last year boested teurs Professionels: Associes to ranking as one of Britain's (Cora). the French builder.

ence of Denis Thatcher, the Prime Minister's husband drew out the crowds in the City yesterday for the listing in London of shares in Echlin, a US replacement car parts company, writes Clare Pearson.

Mr Thatcher (left) is a non-executive director of Quinion Hazell, the UK replacement parts company which Echlin bought from Burmah Oll in September 1986. He is pictured with Frederick Mancheski (centre), chairman and chief executive of Echlin,

ick Mancheski (centre), chairman and chief executive of Schin, and Roger Storey, group managing director of Echlin Europe. Mr Thatcher, whose involvement with Quinton Hazell dates from the early 1970s, admitted its performance had been less than dazzling during most of this time. But it had improved sharply since being bought by Echlin, which said yesterday it was planning a big push into Europe both through acquisition and organic growth. Echlin made \$93.3m (£52.7m) pre-tax profits on sales of \$1.29bm in the year to end-August.

## French group extends agreed water bids until February 3

### By Andrew Hill

SAUR Water Services, a subsidiary of Bouygues, the French construction and service company, has extended its agreed bids for three statutory water companies in the south east of England until February

About 40.9 per cent of the votes in West Kent Water Com-pany had been committed to the SAUR offer by last Friday, an increase of 2.7 percentage points since the offer's first closing date.

its joint venture partner, Asso-ciated Insurance Pension Fund, a vehicle for Mr Duncan Sav-ille, a Sydney-based investor.

West Kent is also subject to a higher counter-bid from Southern Water Authority and

Sonthern and AIPF have approached the Takeover Panel over the role of Equity and Law Life Assurance Society in their bid for Folkestona and District Water Company. The bid was defeated last Friday by

an increased recommended offer from Compagnie Générale des Eaux, when Equity and Law sold a crucial 11 per cent stake to the French water sup-

plier. Equity and Law also holds

year was £1.8m, compared with £1.08m. Dividend income totalled £453,734 (£778,633) and UK and Australia. The group ceased to be regarded as an investment trust on October 1 (£1.53m), because of the large holding in gilts. The final divi-dend is 1.75p making a total of 1988. Since the marger the charac-ter of the company has changed significantly and it. is now the holding company for a Net assets decreased to 2.25p (2p) for the year.

about 7 per cent of the votes in West Kent. At Mid-Sussex Water Company, which shares manage-

ment with West Kent hat is not facing a Sonthern/AIPF counter-bid, some 25.2 per cent of the voting rights have been committed to the SAUR offer, against 22.5 per cent at the

first close. SAUR had also received SAUR had also received acceptances of its offer for Mid Southern Water Company, out-side Sonthern Water Author-ity's area, representing 38.3 per cent of the voting capital,

# Panfida assets fall to £53.9m

By Flona Thompson

PANFIDA GROUP, formerly Investing in Success Equities (IIS), yesterday reported its final results as an investment trust, covering the year to Sep-tember 30 1988.

Beazer Leisure sold to managers £53.89m on that date, from £74.78m at end-September 1987.

## rejects approach by Cowie By John Thornhill ALEXANDERS Holdings, Scotland's largest Ford main dealer, has rejected a bid approach from T. Cowis, the Sunderland-based motor

group. Cowie contacted Alexander Cowie contacted Alexanders last week to discuss terms for a possible bid. It was told that the approach was unlikely to result in an offer acceptable to Mr Henry Clayton, who owns 56 per cent of Alexanders and is its joint managing director. On Friday Cowie announced that it had increased its stake from 9.7 per cent to 12.33 per cent

Mr Gordon Hodgson, Cow-Mr Gordon Hodgson, Cow-ie's finance director, said yes-terday that his company had held tentative discussions with Alexanders' merchant bank, Hambros, but they were too far apart over a realistic price. He said: "No further talks are planned at present but one cannot rale out future discus-sions."

### By Philip Coggan

Beazer, the construction and Beazer's investment manager, aggregates group, is disposing of its leisure subsidiary in a £6.8m management buy-out. The sale of Beazer Leisure, acquired in the takeover of

acquired in the taxeover of huilding company William Leech in 1985, reflects Beazer's decision to concentrate on three areas - bomes and prop-erty, contracting, and building products and aggregates.

Profits of the holiday parks operator are not being revealed. But Mr Chris Pople,



repayment of intra-group debt. Beazer Leisure will retain its name until December, when it plans to adopt the name Park-dean Leisnre. The buyout, organised by Arthur Young ENCOURAGING growth in the Corporate Finance, was backed by investors in industry (3i), Midland Montagu Ventures and County NatWest Venture Capital. UK and progress in most over-seas markets pushed Menvier-Swain to a 27 per cent rise in turnover and a 30 per cent increase in profits for the half

Panfida was born out of the merger last November between IIS, the UK investment trust, and Panfida, the Australian tock market crash. investment company which Revenue before tax for the has businesses in the US, the

group, the principal interests of which are in small store retailing in the UK and the US, in food processing and trading in the UK and Australia, and in property development in Anstralia.

## **Menvier-Swain grows by 30%**

year ended October 31 1988. The USM-quoted gronp, Britain's biggest maker of emergency lighting, produced turnover of £11.75m (£9.27m) and pre-tax profit of £1.62m (£1.25m). With earnings rising from 7.2p to 9.5p, the interim dividend is lifted to 1.6p (1.2p). Mr Charles Swain, chairman, said the UK market for emergency lighting and fire alarms continued to show encouraging

growth. "We believe we are continuing to gain market share from our competitors" he said. The Australian subsidiary was performing strongly and exports into the Middle and Far East markets were on tar-get. In the US, Electro Power-pacs had not yet reflected full potential, although an improvement was expected in the second half.

BIA swang from profits of £685,000 to losses of £776,000 in the six months to the end of June 1988, which it ascribed to introductory costs of a new aircraft.

### First Leisure stake

London Merchant Securities has raised its stake in First Leisure Corporation to 29.99 per cent. It has bought 200,000 shares at 149p and 1.99m shares at 145p to take its hold-ing to 41 21m charge

SHARE STAKES

ing to 41.21m shares. per share. Peek - The British Coal Staff Superannuation Scheme and

higgest construction compa-nies by acquiring Matthew Hall in a deal worth £130m, is extending its European operations by establishing a joint venture company in Por-

ingual It is joining with ENGH., a leading Portuguese contractor, to form a new company based in Lisbon. Mr Alan Cockshaw, AMEC chairman, said that construction and property develop-ment in Portugal was expected to increase when the country

assumes membership of the European Community. The announcement yester-day follows a series of joint ventures announced between British and continental con-struction companies ahead of 1992 when EC trade barriers are due to be dismantled: Bovis, the British construction group, has acquired a 15 per cent stake in Les Construc-

Bovis has formed a Paris-base management contracting joint venture with Copra. • John Brown, the engineer ing subsidiary of Trafalgar House, the British construc-

tion, property, shipping and hotels group, has acquired a 35 per cent stake in Sofresid, France's second largest process plant developer. • John Mowiem has acquired Comabi, the French scaffolding

group, for £10m and has increased its stake in Construcciones Desmontables Tubu-lares, the Spanish scaffolder, from 30 to just over 50 per cent. • Société Genérale d'Entreprises, the French construction prises, the French construction group which is 55 per cent owned by Compagnie Générale des Eaux, France's largest water supplier, last week said if was negotiating to buy a 52 per cent stake in Norwest Holst, British civil engineer.

Prism Leisure warns of slowdown Prism Leisure Corporation, the the chairman warned that the USM-quoted recorded music group was unlikely to match. group was unlikely to match last year's profit of 2663,000. Interim dividend is 1.5p and computer games distribu-tor, lifted interim taxable prof-its 16 per cent to £318,000. But (1.469). . ..

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Changes in company share etakes announced recently ABB Kent - Prudential Corpo-

ration has reduced its interest to less than 5 per cent. Its pre-viously recorded holding was 5.17 per cent or 3.93m shares. American Trust - Merchant Navy Officers Pension Fund has raised its holding to 8.3m shares (10.01 per cent). Associated Farmers - JHR Carver, a director, has bought 80,000 shares shares taking holding to 115,000 shares (5.88 per cent). Avon Rubber - Standard Life

Assurance has sold 268,000 ordinary and now holds 1.18m (7.11 per cent). British Mohair – Lawrie

British Mohair - Lawrie Group now holds 3.33m ordi-nary (25.04 per cent) after two purchases of 10,000 and one of 25,000. Brunning Group - Funds under the control of National West-minster Bank are interested in 247,071 shares (5 per cent). Caparo Industries - Mr Swraj Paul, director, has acquired 100,000 shares to bring his holding to 29.02m (74.58 per cent). cent).

Control Techniques – Director KL Briggs has sold 100,000 ordi-nary at 175p apiece and now beneficially owns 1.61m (10.08

beneficially owns 1.51m (10.08 per cent). Corporate Estates - UTC Group has acquired 1.5m shares, increasing its holding to 5m (10.08 per cent). Cowan de Groot - Mr Jona-than Samuelson, deputy chair-man and chief executive, has raised his beneficial interest to

raised his beneficial interest to 4.2m ordinary (16.7 per cent) with the acquisition of 547.257 at 60p each. Of these, 400,000 were hought from Mr John Carr and his family interests.

Fairey Group - Standard Life Assurance Company and Stan-dard Life Investment Funds have purchased 500,000 ordinary to take their holding to 2.75m (8.33 per cent). Fleming Mercantile Investment Trust - Barclays Bank Pension Fund has lifted its holding to 8.5m shares (5.88 per cent) with the acquisition of 1.75m. Tha shares are regis-Nominees (George Yard). GT Japan Investment Trust -Sun Life Assurance Society and its discretionary managed dionts norm hold 2000 shores clients now hold 3.89m shares clients now hold 3.89m shares or 12.45 per cent. Hartwell - Cresscombe has bought 500,000 shares and now owns 12.37m voting (15.6 per cent). The beneficial owner is Mr Abdul Latif Jameel. Heweison - M & G Investment Management has raised hold-ing to 5.39 per cent ing to 5.39 per cent. Ketson - Mr Jeremy Bond, deputy chairman, now holds beneficially and non-benefi-cially 2.36m shares (12.87 per cent) following acceptance of his entire holding of shares in Moormato Charge in second in Moorgate Group, recently acquired by Ketson. M&G Group - the company has bought a further 500,000 of its own shares at 274p each, bringing its cumulative total to date to 2.04m. Memory Computer - Family settlements established by Mr Roger Abraham have increased their holdings so that aggre-gate non-beneficial and beneficial interests amount to 11.61m

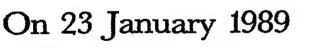
of 300,000 chares (6.56 per cent). Precious Metals Trust -National Westminster Bank is interested in 738,393 share (6.11 per cent). NatWest Investments Bank holds 730,000 of the shares. Burmah Oil is now the benefi-cial owner of 115.66m shares (29.86 per cent). Bowe Evans Investments - Mr E Hadsley-Chaplin, director, transferred 25,000 shares to a family trust, leaving his benefi-cial interest now at 2.69m shares (6.72 per cent). Sterling Publishing - Mr JD Moser has sold 40,000 ordinary

Mineworkers' Pension Scheme have reduced their holding to 13.98m ordinary shares (from 5.79 to 4.98 per cent). Planning Research and Systems - Finance Land and General Holdings has disposed shares (29.9 per cent). Some 4m of the shares are subject of an option agreement to executive directors. Neepsend - Mr and Mrs HR.

thus reducing the holding of JD Moser 1986 Settlement to 270,000. His beneficial interest is cut to 7.6 per cent. Sturge Holdings - Mrs Joan Maughan, wifa of director Mr MJH Maughan, has sold 100,000 ordinary for an average 235p Wardle Storeys - The shares held in the discretionary investment portfolio managed hy Mercury Asset Management Group have been increased by 225,000 ordinary to 3,95m (16.19 225,000 ordinary to 3.95m (16.19 per cent of total voting rights). Watts Blake Bearne – Ceramic Holdings has increased its hoking to 3.77m ordinary (18.49 per cent) with the acquisition of 125,000. The shares are registered in the name of Credit Suisse London Nominaes

Sykes have acquired 769,000 ordinary (5.7 per cent) at 48p Nominees

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Ace Belmont

International plc

changed its name to

Swinemoor Lane, Beverley, North Humberside, HU17 0LJ

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## **UK COMPANY NEWS**

Acquisitions funded by £35m Eurosterling convertible issue **Albert Fisher expands in Europe** 

### By Vanessa Houlder

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ALBERT FISHER, food distributor and processor, is moving further into continental Europe with the acquisition of Horstmann, a West Ger-man-based fresh produce dis-tributor and Uyticwaal, a vege-table processor in The Netherlands.

The purchases, which ini-tially will cost a total of f21m, will principally be satisfied in Cash, financed by a f35m issue of Eurosterling convertible preference shares. In addition, £3.1m of new Albert Fisher shares will be

issued.

This is the first time that This is the first time that Albert Fisher has looked out-side the UK investment com-munity for funds. It follows a commitment by the board to adopt a "frugal approach" to the issuing of paper, following a dull performance by its share price. price.

Mr Tony Millar, chairman, said he was trying to broaden Albert Fisher's investor base. He was also looking at the pos-

KENYON Securities, the USM quoted funeral director, increased pretax profits by 45 per cent to £928,000 in the six

months to September 30, com-pared with £638,000 in the

equivalent period. Profits rese despite a lower than expected death rate, espe-cially at the beginning of the financial year.

However, earnings per share fell from 6.2p to 4.3p following reorganisation of the coffin-

By Andrew Hill

Albert Fisher Share price (pence)

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1987

1982 84 86 88 89

sibility of issuing shares on the

As a result, the group has secured a strong base in The

focus of its operations for the import and distribution of fruit and vegetables within The Share proce (pence) Netherlands, West Germany, the Eastern Bloc, Scandinavia and the UK.

Albert Fisher is one of a handful of UK companies, inciting Unigate, Hillsdown Holdings and Polly Peck Inter-national, that have recently moved into the highly fragmented market for the distri-bution of fresh produce in continental Europe. The acquisition of Horst-

mann for DM 37.5m (£11.5m) will expand the Continental operations into Western Germany.

Brussels and Amsterdam mar-kets or taking a NASDAQ list-The purchase of Uyttewaal for Fl25m (£9.5m) will broaden ing in the US. These are the latest in a series of acquisitions on the Continent made by Albert Fieher eince Jniy its product base into added value vegetable products in The Netherlands. There may be further payments, depen-dent on profils.

The preference shares will be converted at any time before

Netherlands, which is the June 2004, at a rate expected to be between 12 per cent and 16 per cent above Albert Fisher's share price on the day the price is fixed.

Full conversion of the shares would result in the issue of shares representing about 10 per cent of its share capital.

· Perkins Foods, the USM-quoted group, yesterday announced that it was expanding its operations in continen-tal Europe, with the acquisi-tion of Nuka Holdings, a frozen food company, for an initial sum of Fl 5.86 m (£1.59m).

Nuka, which sells frozen fruit, vegetables, fish and potato products, operates from Breds in The Netherlands and Grenaa in Denmark.

The deal follows Perkins' £38.6m acquisition last August of Hage, one of the largest importers and distributors of fresh fruit and vegetables in The Netherlands.

## Renown arranges £60m credit

facility By Steven Butler **RENOWN ENERGY**, the independent oil company

owned 50 per cent each by Eleinwort Benson, the merchant bank, and Consolidated Gold Fields, the mining group, has arranged a 250m, ten year credit facility to finance levelopment costs and acquisi-Mr Peter Elwes, managing director of Benown, said the facility represented a commit-

ment by both pariners to expand the business at e time when many non-oil companies have been selling off all prop-

erties. The facility, which was arranged by Kleinwort Benson with a mandate awarded to Barclays Bank, is arranged in

three tranches. The funds may be drawn as ansecured corporate credits for development purposes, and these may, if certain condi-tions are met, be changed to non-reconras finance secured by specific develop-

In the state of the second sec

has a range of overseas inter-

shares of licenses in future awards, and is participating in current license rounds in the UK and in the Nether-

intent on growing rapidly, and that a stock market quotation was contemplated for the future.

LOSSES OF USM-quoted Applied Holographics more than doubled to nearly Sim in Mr Ozzie Boxall, chairman, said this order, together with other developments, led him to the six months to end-Septemanticipate substantial sales ber. But the company claimed this masked advances made in being generated in the next financial year." He said interest in holograms was now being shown by a wide range securing continuing orders for Sales were sharply down to £476,165 (£1.27m), ascribed to of industry sectors.

As well as turning Applied

Holographics of the US into a wholly-owned subsidiary dur-

ing the period, the company

acquired last September the outstanding 50 per cent of Transfer-All Purpose Films,

which makes bot-stamping

**Applied Holographics' losses** 

more than double to £0.99m

Wear, and made a move to attack the retail market with the development of Lumiere, a hologram display unit incorponoiogram insplay unit incorpo-rating lighting. Last Novem-ber, it announced an agree-ment with Courtaulds Speciality Products to collabo-rate on the development, production and promotion of acetete film-besed bolograms.

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Operating losses came out at £1.25m (£369,385). The share of iosses of related companies fell to £91,974 (£152,522).

After a nil tax charge, the loss wos £997,451 (£416,396). It also established a manu-facturing burean at Tyne and The loss per share was 7.1p (3.7p).

new annual premiums from

personal pensions were up 76 per cent of £8.8m. As expected, Sun Life's sales

Pensions booster for Sun Life

### By Nick Bunker

cheque guarantees.

By Clare Pearson

forward orders from the US toy industry drying up after the 1987 stock market crash. Most

of the current year's first-half turnover derived from a long-term order from the Brit-ish Association of Payment Clearing Services for the sup-ply of holograms for new

SUN LIFE Assurance pushed sales of new annual premium policies up 40 per cent to 287.5m last year, reflecting twin booms in sales of retirement annuities and the new-style personal pensions which came on the market on July 1.

New annual premiums from pensions business rose 47 per cent altogether, to 268.6m,

for

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including a 69 per cent jump in premiums under money pur-chase schemes, mainly due to sales of policies to people con-tracting out of the State Earn-ings Related Pensions Scheme (Serps).

Brewery profits were sub-

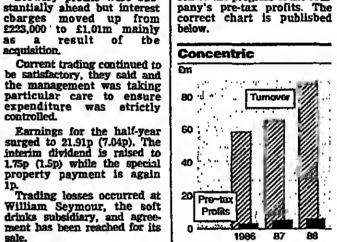
as a result of the acquisition.

controlled.

of single premium policies, which are primarily vehicles for lump-sum investments in equities, fell suspstantially, Since July 1, Sun Life has sold 9,000 of the new personal pensions plans, of which about from £627.5m to £406.8m mainly reflecting the one-off runaway success of the group's Anniversary Bond product in 75 per cent were being used to contract out of Serps. In total,

> CORRECTION Concentric

The chart published with the article on Concentric in yester-day's edition incorrectly repre-sented the progress of the company's pre-tax profits. The correct chart is published



**CENTRAL MOTOR** Auction proceeds well ahead

**REFLECTING** particularly bnoyant trading throughout the period, Central Motor Auctions reported a 69 per cent surge in profits to £1.26m pre-tax for the year ended October 31 1968. Auction proceeds advanced 40 per cent to £182.24m and computing profits profit for per

operating profit rose 36 per. cent to £944,000.

Earnings rose to 9.08p (6.31p) and the final dividend is 2p: for a total of 2.75p. against 2.5p forecast in last April's

making business - which is now concentrated on a single site in Upton-upon-Severn -and acquisitions at the begin-ning of the first six months, traditionally the weaker half for funeral directors. The interim dividend is coming the The group's shares, which have fallen from a high of 302p to as low as 138p in the last 12 months, dropped 10p to 153p her. yesterday. Kenyon's turnover rose 66

been restated to reflect the acquisition of MMM.

Tax rose to £\$15,000 (£76,000)

and earnings per 10p share came out at 6.43p (2.88p). The

directors proposed a raised final dividend of 1.5p making

MARTIN SHELTON

**Acquisition fails** 

to boost profits

A modest increase in interim profits was reported by Martin Shelton Group, USM-quoted

manufacturer of diaries, calendárs and related products

The taxable figure rose from \$63,000 to £67,000 on turnover absed 19 per cent from £857,060

to £1.02mL -

a total of 3p (2.2p).

Kenyon profits advance 45% halfway

per cent to £7.2m (£4.34m) and operating profits were up 72 per cent to £1.12m. But an for the acquisition of elgot funeral businesses during the period meant interest charge rose from £10,000 to £190,000. Those borrowings were eliminated by the proceeds of a

£6.7m rights issue in Septem-The group's emergency ser-vices division, which helps the

contributing £1.9m (£1.52m). Pre-tax income was £2.58m

**GRP DEVELOPMENT** 

NAV slips but

Group Development Capital

Trust saw its net asset value Per ordinary share slip from 86.4p to 35.5p in the year to the end of September. At March 31 1988 the net asset

Gross revenue investments leapt from £73,018 to £521,369

and pre-tax profits were up sharply at £327,327 (£31,709).

Barnings per 10p share increased to 0.91p (0.09p) and

the directors have proposed

profits soar

value was 35.4p.

(£2.24m).

News Digest

authorities in the recovery and identification of disaster victims, worked at the Piper Alpha oil rig explosion during the half-year. Since then, the division has been beloing at the scene of the Clapham rail crash, and the Lockerbie and M1 air disasters.

ent to £3.65m (£2.91m).

**GREENFRIAR INV** 

Assets rise

by 31.8p

(1.9p).

Earnings rose to 5.32p (4.45p) per 5p share and a final

dividend of 1.5p (1.2p) brings the total for the year to 2.2p

Net asset value per 25p share of the Greenfriar Investment Company amounted to 357.2p

at December 31, an improvement of 31.80 on the previous year's figure which

assumed full conversion of the outstanding warrants. These were exercised on April 1. Net revenue for the 12

Mr Michael Kenyon, chairman, said the benefits of rationalisation and recent acquisitions should come through in the second half.

It aims to take largers

£10.1m and pre-tax profits of E1.55m for the eix months ended September 30 trol of the company. Renown holds a wide spread 1968. The directors stressed that the figures were significantly the lightes were significantly different from the previous year, when thrnover was \$7.55m and taxable profit £599,000, following the acquisi-tion of 91 public houses (105 purchased, less 14 sold) from Grand Metropolitan.

lands. Mr Elwes said Renown was

consist of asset purchases, not corporate takeovers. Renown, formerly Kleinwort Benson Energy, was created in its present form at the end of 1987, when Consolidated Gold Fields injected £42m to match the assessed value of the com-**Property provides froth** as Gibbs Mew hits £1.5m pany, and took a 50 per cent Following a three-year period, each company may GIBBS MEW, the USM-quoted Wiltshire-based hrewer and commercial property devel-oper, reported turnover of

elect to redeem or convert to loan stock. It is expected that this could result in Consoli-dated Gold Fields taking con-

of relatively small interests in North Sea license blocks, and



### **COMMODITIES AND AGRICULTURE**

## Quotas shake up dairy industry Bridget Bloom studies the logic of the Unigate/Dairy Crest deal

a sulla successione and a succession of the

F PROOF were needed that the European Community's attempts to reform the dairy sector are having a major effect on the dairy industry itself, it came yesterday with the news that two of Britain's biggest manufacturing compa-nies have decided to rationalise their operations.

28

Through a complex deal which involves the sale of one major creamery and the pur-chase of seven dalry plants, Dairy Crest, wholly owned by the Milk Marketing Board of England and Wales, is to increase its share of doorstep and other supplies of fresh milk from 6 to 16 per cent of the UK total.

Dairy Crest, Britain's largest dairy produce manufscturer, is buying the milk processing plants effectively dairies, scat-tered in the Midlands and East Anglia, from Unigate, one of the UK's big five dairies. That company is in turn buying a £23m creamery from Dairy Crest at Chard, in Somerset. At first giance, the £126m net

deal is easier to understand from Unigate's point of view than from Dairy Crest's. Unigate has suffered a drop in profitability recently which appeared to put it et the mercy of predators. The sale of nearly 50 per cent of its fresh milk business could give it cash and a breathing space. It could also afford it, in the words of Mr John Clement, its cheirman, the ability to concentrate on growth in other, more profitable sectors in future.

Dairy Crest, on the other hand, might seem in danger of buying into just that sector in which there is least growth, since consumption of fresh milk is stable in Britain, with doorstep sales on a gentle decline.

At bottom, both companies are reacting to the major changes which have taken itive advantage into the 1990s. For Dairy Crest, the key need now is felt to he to increase its share of the liquid place in the dairy industry since the EC introduced quotas milk market, to give better balance with its manufactures of dairy products. Ironically, Dairy Crest was effectively to control the overproduction of milk in April 1984. The changes directly attributable to dairy qnotas are marked. Milk pro-duction itself, Brussels estiformed ten years ago when the Milk Marketing Board bought mates, would today have been around 12im tonnes, instead of 16 creameries from Unigate (one of these was Chard, now some 103m tonnes across the EC had it not been for quotas. returned after heavy invest-ment in modernisation). In the Stocks of butter have declined from a peak of 1.3m tonnes to less than 200,000 tonnes. years of milk surpluses, the creameries did well, but a year ago it was announced that five

£25m.

Skimmed milk powder stocks have heen eliminated, with shortages developing. This has radically changed the climate in which dairy companies operate. Dairy Crest, for example has seen its £130m husiness selling such surpluses into so-called intervention stores decline to only

felt to be an important genera-tor of cash, as well as affording an enhanced distribution net-work for an increasing range of £25m last year. There are longer term changes afoot, too. According to Mr Micheel Landymore, more sophisticated products, from yoghurts to soft cheeses which Dairy Crest now prodairy industry analyst at Henderson Crosthwaite, yester-day's deal would probably not have been struck if Dairy Crest, in particular did not feel duce. that the writing was on the wall for the monopolistic arrangements governing the pricing and marketing of milk balance will be vital in Britain.

Yesterday, senior executives of both companies cautiously emphasised the need for better halance in their operations, with Mr Geoffrey John, chair-man of Dairy Crest, describing

but of milk destined to make the deal as "our most signifibutter, and other products. cant transaction to date" which was aimed at giving the They can thus determine the price structure of the market and, of critical importance just company strategic and competnow at a time of relative short-age, the distribution of raw

milk to its various users. Many observers believe that the monopoly powers of the Boards are threatened by the recent EC regulations which allow, as from last November, the free import (and export) of fresh pastuerised milk from Britain's Community partners. They also note that the Thatcher Government is ideo-logically opposed to monopoly marketing arrangement and is already examining the Market-ing Boards for Potatoes and would close at a cost of some Wool. (It remains to be seen how it will view the further The company has not only felt the loss of its intervention extension of what is effectively a producers cartel under the present deal: Dairy Crest was husiness hut had hecome

heavily dependent on rela-tively low margin products, required 18 months ago to oper-ate completely independently from its only shareholder, the like cheddar cheese and batter. Additionally, while the liquid MMB.) milk market is stagnant, it is However, if yesterday's deal (still to go before shareholders and the Office of Fair Trading) is clearly an attempt to navi-gate stormy waters ahead, e

number of questions remain. Not the least of these is whether Britain's dairy farmduces, or intends soon to proers, who ultimately control the MMB, will henefit from it. However, in the somewhat Farmers obviously feel secure longer term, Dairy Crest clearly believes that a better if they are in charge not just of if they are in charge not just of the cow but of the retail outlet for their product. But yester-day, neither company would say what the profitability of the seven dairy plants was, though Unigate made it quite plain that they did not repre-sent e growth area.

The Milk Marketing Boards in the UK have a monopoly of

MacGregor faces deafeat on beef reform By Tim Dickson in

Brussele MR JOHN MacGregor Britain's Agriculture Minister last night looked to be in danger of losing an important battle over been reform as ministerial negotiations on a complex farm policy psckage got under way in Brussels The long-standing proposals for cutting the costs of the beef

regime were being discussed by European Community Farm Ministers along with five other items (including a radical scheme for direct income aids to the EC's poorest producers) left over from December's unsuccessful Agriculture

Council. Since that meeting, however, the European Commission appears to have moved to 'buy off' some of the opposition to the six linked measures, notably a Danish concern ebout the milk super-levy and at least some of Ireland's reservations about the extent to which the EC will provide a "safety net" as guaranteed huyer in the

as guaranteet inter in the beef market. A Council of Ministers spokesman said last night that in their first discussion of the slightly revised package the memhar states had reached "coodificanal" surgement on the "cooditional" agreement on the income aids plan – hitherto fiercely opposed by Mr Henri Nallet, the French Minister, on the grounds that the national payments possible under the proposed scheme were being fixed too high.

the Commission's part to setisfy Mr MacGregor's demand for a lifting of the headage limit for peyments

duced to replace Britain's variable slaughter premium. A new paper issued last night showed that the Brussels executive was sticking to its original plan for payments of Ecu 40 per animal up to a herd

limit of 75, dropping slighly more advantageons compro-mises floated in the last few weeks The position of Mr Michael O'Kennedy, the Irish Minister, was also delicate. While the "safety net" arrangments had

been made more generous hy a slight increase in the "trigger" price for intervention, the Commission was not hudging from the new limit of 200,000 tonnes per year for guaranteed. EC purch

## EC plan would put grain growers through the mill wheat, for in FARMER'S VIEWPOINT

By David Richardson

vereals.

sponse to a serious surplus;

On our farm it means that

Corrent estimates by the US

T HE CURTAIN went up on the European Com-munity's annual farm price drama last week when price drama last week when the European Commission presented its opening proposals for the 1989-90 package. Over the comings weeks and months the plot will undoubtedly be thickened by the special plead-ings of Agriculture Ministers from many of the 12 member countries, and by the time the final scenes are played out -probably not before early sum-mer, if past experience is any guide - the proposals will have undergone some signifi-

have undergone some significant changes.

It seems likely, however, that the main thrust will survive and, more to my particu-lar point, that I shall find it even more difficult to show a

profit from arable farming. On the face of it the "price he one crop that has consis-entiy produced a modest profit over the years will now be less freeze on most commodities" put forward last week hy secure. And the erosion of prof-tability all round may force us Ireland's Mr Ray MacSharry, Ireland's Mr Ray MacSharry, the new Agriculture Commis-aioner, might not heve sounded too severe. But that hland statement ignored, for instance, the "hndget stahi-liser" arrangements, intro-duced last year, which will autometically cut cereal support prices by 3 per cent if, as seems probable, the EC's harvest exceeds 162.5m tonnes. to consider joining the new set-aside scheme next year and think of taking £80 per acre rom the EC in return for eaving land bare. Indeed that is presumably what Mr MacSharry would like us to do.

The EC is still producing 20m to 25m tonnes of cereals a harvest exceeds 162.5m tonnes. Neither does it recognise the year surplus to community requirements. This all has to be exported to third countries fact that EC cereal prices have already been reduced by 20 per cent to 25 per cent during the at world prices and in the past the cost of subsidising such last four years while over the same period UK production costs have risen, in spite of exports has often been equal to the value of the commodity. Last year the world price of grain rose by 50 per cent to 290 economies on labour and other inputs, amounting to at least 15 per cent. The increase in tonne as a direct result of the drought in the American mid-West. That narrowed the gap costs has been exacerbated by Britain's high interest rates now running et more than twice the level of those in most between world prices and com-munity support levels and so resulted in a substantial reducother EC countries.

That means that on farms tion in EC export subsidies, or restitution payments as they are called, Export demand increased and the quantity of grain in SC intervention stores like ours where a rent or rental equivalent must be paid and where we are involved in modest horrowings for working has been cut to 4m tonnes. capital, it has become almost impossible to make a profit Total carry-over stocks of cereals from the current crop year to next which begins on from producing cereals. Any rise in costs or cut in end July 1 are now expected to amount to just'five weeks' price, therefore, pushes us into losses

The Agriculture Commis-sioner did concede that UK supply. On a wider scale, the UN Food and Agriculture Organi-sation and other authoritative farm incomes had fallen by 10 her cent last year. But he justi-fied his price package hy stressing the need for continbodies long ago agreed that for the world to enjoy food security it was necessary for 60 days' supply of cereals to be ned budgetary restraint and the small increases in farm profits in West Germany, Spain stored and carried over from and Ireland - countries where national aids to farmers are one harvest to the next. more readily available and. where the patterns of produc-Department of Agriculture, the International Wheat: Council tion are quite different to those

wheat, for instance, has an even kept pace with consumptions over the last four years. This year total production is pre-dicted by the IWC to be about 500m tonnes while consumption to annes while constraints tion is expected to be 540in

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If those figures are confirmed carry-over stocks will be cut to 98m tonnes by the end of this year. The production and costs sumption of coarse grains

world wide have shown a single

sumption of coarse shown a single lar trend. After peaking at 865m homes in 1985-86, production his since fallen to 804m tonnes last year and is expected to be only 715m tonnes this year Meanwhile world consumption hes increased from around 800m tonnes in the mid-1996s to an anticipated 830m tonnes this year. Stocks have virtually halved to 119m tonnes. By the end of this year therefore, world grain stocks are likely to be at critical levels. The re-cropping of 24m or so acres of US land or so acres of US land previously set aside biff now released from the USPA's acreage reduction programme will redress the balance. But the FAO says that in order to maintain grain stocks at their present depleted, fevels, the world must produce 13 per cent response to a serious surplus, stocks have come down ignificantly over the past rear. The reasoning appeared to be simply that profits from prowing sugar beet were now to high compared with provide

world must produce 13 per den more grain this year than from last year's harvests I do not believe this it a post

I do not believe this is a pos-sibility. Meanwhile the legacy of 1998, remains, Much of the diy land in the American Midwest and in the prairie provinces of Cau-ada is still suffering from last year's drought and will simost certainly produce poor "Jack", again this year. And there are serious problems in other serious prohlems in other grain-growing areas of the world

world. China and the Soviet Union will be forced to import fun-stantial amounts of grain and the US, Canada and Argentina may be unable to supply the necessary tonnage, without. penalising other, regular dus-tomers. Meanwhile the points tion of the world is incre

tion of the world is increasing; at 85m to 100m per year and the production of Tood is not keeping up with the extra mouths that need feeding. I assume these statistics are available to Mr MacSbarry and his advisers in Brussels; and that they must have been con-sidered during the formulation of their proposals for Euroneen sidered during the formulation of their proposals for European farm prices. Perhaps they did not see in them the start of a midior Citais with world gridn ; supplies falling to satisfy-demand by a considerable mar-gin within the next few years -

and the FAO itself put the

Chilean mine tries to cut explosion losses By Barbara Durr in Santiago

OFFICIALS AT Chile's vast the flash furnace. He has dis-Chuquicamata copper mine are ettempting to minimise losses after the explosion that crippled the mine's new flash

They say they are consider-ing an investment in new equipment to increase capacity with their remaining four older ovens,

The currently estimated loss of 8,000 tonnes attributable to the explosion results from the lower amount of sulphuric acid produced as a hy product, compared with that of the larger flash smelter. The subhuric acid, processed hy a plant adjoining the flash oven, is used to leach copper from

counted within those 60 days, 40 days that were pending for maintenance of the smelter, with the result that losses actually represent only 20 days of inactivity at the flash oven. Officials admitted, however, that repair of the flash oven could take longer. Mr Villouta also corrected

Chuquicamata's 1989 total production target. He said the mine, the world's largest, would produce 660,000 tonnes of fine copper, a decrease of 40,000 tonnes from an earlier unofficial estimate. He said last year's production was just 519,000 tonnes, not 538,000 tonnes, as previously reported. While the flash oven is over-

While the flash oven sul-without the flash oven, sul-hauled, Chuquicamata's ecoacid production has nomic losses, apart from

oven, have been assisting in the investigation. The \$83m oven was huilt in Chile under the supervision of Outokumpu. The cause of the explosion, which hlew the top off the furnace, was contact between molten copper and water. It occurred during an electrical power failure. Not only did the

main electricity system stop, but the back-up system shut down for an undetermined reason. In those critical moments, when the electrical pumps for the oven's cooling system could not work, panicked workers turned waterhoses on the oven. A report on the accident is due in about another ten days. Some 32 Outokumpn flash

ovens are operating around the world, including in West Ger-

contended that the smelter was none the less "a good invest-ment" and that the problems the mine had with its start-up were less related to the oven itself than with other related equipment, especially the boiler. The new smelter helps

diminish pollution, a serious problem for the mine that led to a 1986 law suit by labour unions.

USE STOCKS

No signs were emerging, however, of any willingness on under the new special pre-mium, which is being intro-

day to just 550 tonnes per-day. Production at the leaching plant has so far fallen by about 50 per cent, one official said. Mr Marcelo Villouta, deputy director of the mine, calculated the losses on the basis that it	spond to the difference in price between selling 45,000 tonnes of concentrates instead of 15,000 tonnes of cathodes. The smelter accident is still being investigated. Engineers from Outokumpu, the Finnish	Soviet Union, Korea, India, Australia and Brazil. Officials said that, while there had been prohlems with other ovens, none had suffered an explosion to their knowledge. Mr Carlos Damiani, chief	Lend -25 to 59.0 Nickol -396 to 6,0 Zine -3,000 to 34,7 Tin -480 to 4,7 Silver (oz), unchanged at 14,644,0	Last night's discussions were quite separate from any negotiations on the Commission's 1988-89 farm	ever, a proposed 5 per cent cut in the price of sugar, not because sugar beet support arrangements cost the Commu- nity a great deal: they are in	Last year's disastrous US drought brought matters to a head, hut it was by no means the only cause of falling stocks. Drought losses exaggerated a trend that was already estab-	along a path, laid hy his prede- cessor, which will lead to a sig- nificant reduction in European cereal production at the very time when the world may need
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last Friday)

		W	ORLD COMMODITIES PRI	CES		2000 - Carlos Angelandor Alta - Carlos Angelandor Alta - Carlos Angelandor
LONDON MARKETS	COCOA Etionne	LONDON METAL EXCHANGE	(Prices supplied by Amaigamated Metal Trading)	New York	Jul 185.00 136.09 136.50 184.00 Sep 132.60 133.75 138.50 181.75	WHEAT 5,000 bu min; cents/001b-bishef
	Close Previous High/Low	Close Previous High/Lo	w AM Official Kerb close Open Interest		Dec 132.20 132.00 132.00 132.00	Glose Previous High/Low
ZINC prices continued to advance on the LME yestorday, closing at new	Mar 855 858 895 846 May 865 865 870 855	Aluminium, \$5.7% parity (\$ per tonne)	Ring turnover \$,200 tonne	GOLD 100 troy oz.; \$/troy oz.	Mar 132.25 132.63 0 0 May 130.50 130.88 0 0	Mar 444/6 445/0 448/2
records Traders said news that	May 265 865 870 855 Jul 858 850 868 650	Cash 2354-8 2355-60 2330	2325-30	Close Previous High/Low Jan 407.8 406.5 0 0	SUGAR WORLD "11" 112,000 lbs; cents/ibs	May 437/2 437/4 440/6 432/0 Jul 406/2 407/4 410/0 406/8
production resumed late last week at	Sep 858 850 863 848	3 months 2320-2 2318-20 2335/22		Feb 408.5 409.3 409.8 408.0	Close Pravious High/Low	Sep 413/2 412/0 414/2 412/0-
Italian producer Nuovo Samim Spa's	Dec 873 868 875 560 Mar 878 576 880 863	Copper, Grade A (£ per tonna)	Ring turnover 25,950 tonne	Mar 411.0 411.8 0 0 Apr 413.5 414.3 414.8 413.0	Mer 9.82 8.96 9.69 9.68	Dec 423/0 422/0 424/6 424/6 424/6 424/4 425/0 425/0 425/0 425/0 426/0 424/4
zing rollnory in Sardinia after a 25-day shuldown had little direct impact. The	May 890 896 887 076	Cash 1948-50 1934-6 1925/193 3 months 1839-40 1833-4 1843/183		Jun 416.7 418.5 420.2 418.1	May 9.90 10.03 9.90 9.62	Mar 425/0 425/0 426/0 4244
market took more notice of talk of	Turnover: 2927 (16814) tots of 10 ionnes ICCO indicator prices (SDRs per tenne). Daily	Silver (US cants/line ounce)	Ring turnover 0 oza	Aug 424.2 425.0 425.0 424.5 Oct 429.8 430.6 430.1 429.9	Oct 9.73 9.75 0.75 9.61	Close Previous High/Low
possible labour unresi in Mexico and a	price for Jan 19: 1056.48 (1023.18):10 day aver-	Cash 613-6 601-4	611-2	Dec 435.4 435.2 436.8 435.3	Jan 9.57 9.43 0 0 Mar 9.53 9.55 9.58 9.29	
possible reduction in Japanese first quarter smeller output through lack of	age for Jan 20: 1052.97 (1056.61) .	3 months 626-9 014-7	626-8 410 lots	Feb 408.5 409.3 409.6 408.0	May 8.51 9.61 0 0	Apr 78.42 73.67 78.75 78.16
feed from Australia because of datays		Leed (E per tonne)	Ring turnover 5,575 tonne	PLATENUM 60 troy oz; \$/troy oz. Close Previous High/Low	COTTON 50,000; cents/lbe	Jun 72.92 73.35 73.25 73.25 73.25 74.250 4 72.50
in ogreeing supply contracts. Nickel pricos wore also highar,with tha	Close Previous High/Low	Cash 3/4-6 375-6 375.5 3 months 376-7 377.5-8 378/376	375-6 377-7.5 376-7 9,785 lots	Jan 848.5 543.6 545.5 538.0	Cibse Previous High/Low	Sep 71.00 71.20 71.00 70.50
profit-laking expected once		Nickel (\$ per tonne)	Ring turnover 750 tonne	Apr 546.5 546.1 550.0 544.0	Mar 59.01 59.13 59.47 58.75	Oct 70.62 71.07 71.00 70.57 Dec 71.95 71.90 72.05 71.70
three-month metal breached \$18,000 e	Mar 1208 1193 1208 1164	Cash 19000-100 18600-50 18800/14		Jul 541.5 541.6 545.0 539.0 Oct 539.5 539.5 542.0 540.0	May 53.40 59.44 59.79 59.10 Jul 59.35 59.43 59.75 59.05	Page 7200 7200 0 0
Ionne lailing to materialise. Cocca	May 1160 1159 1167 1145 Jly 1152 1149 1155 1140	3 months 18350-75 17700-800 18500/18		Jan 539.5 539.6 0 0	Oct. 58.25 58.33 58.33 58.25	LIVE HOGE 30,000 fb; cents/iba
prices remained lial os tha International Organisation talks	Sop 1147 1145 1145 1136	Zinc, Special High Grade (5 per tonne)	Ring turnover 3,225 tonne	Apr 542.5 542.6 0 0	ORANGE JUICE 15,000 lbs: certs/lbs	Close Previous High/Low
resumed in London.	Nov 1149 1143 1145 1131 Jan 1150 1150 1138 1136	Gash 1825-30 1610-5 1832/18		SILVER 5,000 troy oz; cents/troy oz.		Feb 43.32 43.85, 43.70 43.18. Apr 42.37 42.85 42.90 42.90
	Tumovor 4023 (4895) lots of 5 tonnes	3 months 1784-5 1755-60 1785/177	70 1768-72 1785-95 3,080 lats Bino turnover 10,025 tanne	Close Previous High/Low		- Jun 47.05 47.52 47.50 46.65
	ICO indicator prices (US cents per pound) for	Zinc (\$ per tonne) Cesh 1780-5 1755-80		Jan 619.4 518.3 620.0 517.9 Feb 621.2 620.2 0 0	May 139.76 139.70 140.75 139.20	Aug 47.57 45.05 48.00 47.52- Aug 47.00 47.42 47.40 47.62 Gct 43.75 43.90 43.90
SPOT MARKETS	Jan 20 Comp. daily 125.17 (124.53); . 15 day average 129.15 (129.82)	Cash 1780-5 1755-80 3 months 1730-5 1707-10 1742/17	1763-5 20 1725-8 1743-5 11,912 lots	Mar 525.5 524.5 629.0 621.0 Mary 636.0 634.9 635.0 631.8	Jul 140.25 138.60 140.60 139.60 Sep 139.10 139.00 140.60 139.10	
Crude off (par barrol FOB) + or -				Jul 847.0 646.7 850.5 643.5	Nov 138.50 138.50 0 0	
Dubas \$14.35-4.45z -0.92 Brent Dianat \$16 70-6 90w -1.05	SUGAR (\$ per tonne)			Sep 657.5 658.0 659.0 655.5 Dec 673.1 671.5 676.0 669.0	Jan 138.50 138.50 0 0 Mar 138.50 133.50 0 0	PORK BELLIES 40,000 lbs; cents/lb
WT1 (1 pm est) \$17 63-7.682	Rew Close Previous High/Low	POTATOES E/tonne	LONDON BULLION MARKET	Jan 677.4 675.8 0 0	May 138.50 138.50 0 0	Close Previous High/Low
Oil products (NWE prompt dolivery per tonna CIF) + or -	Mar 220.60 224.20 224.40 210.40 May 225.20 227.20 227.60 223.00	Close Previous High/Low	Gold (line az) \$ price £ equivalent	. Mar 688.9 687.2 687.5 687.5 May 700.2 698.4 0 0		Feb 39.40 40.25 40.22 30.36
Premium Gasoline \$178-101	May 225.20 227.20 227.60 223.00 Aug 222.60 224.00 224.00 220.60	Feb 60.0 60.0	Close 40714-40734 22912-230	COPPER 25.000 lbs; cents/lbs	· · · ·	Mar 38.97 40.77 40.45 40.45 May 41.75 42.42 42.40 41.57
Ges Oil \$145-146 -6	Oct 219.60 220.60 221.00 218.00 Dec 216.46 217.60 217.00	Apr 65.5 69.8 69.5 68.0 May 79.0 79.0 79.5 78.0	Opening 407-1,-408-1, 229-1,-230-1, Meming fix 407.75 230.524	Close Previous High/Low		Jui 42.97 43.52 43.80 42.90 .
Hoavy Fuel Cil \$74-70 -3 Naphtha \$158-180 -4	Dec 216.46 217.60 217.00 Mar 214.60 216.60 214.00 212.60	Turnover 217 (437) lots of 40 tornes.	Atternoon fix 407.45 230.523	Jan 157.05 154.15 157.60 157.20	Chicago	Aug 43.05 49.46 43.50 43.05
Potroleum Argus Estimetes	White Close Previous High/Low		Day's high 4081, 4083, Day's low 4071, 4073,	Feb 153.05 150.90 0 0 Mar 149.55 147.55 150.70 146.70	SOYABEANS 5,000 bu min; cents/60b bushel	Mer 55.00 57.00 0 23 54 55500
Other + or -	Mar 273.00 274.00 274.00 270.00 May 265.50 267.60 257.00 264.00	SOYABEAN MEAL Mone		Many 137.40 136.50 138.00 135.00 Jul 131.20 129.30 131.30 128.70	Close Previous High/Low	Jul 57.00 58.00 0 57.00
Gold (per troy 02) 4 5407.60 + 2 25 Salve: (per ony 02) 620c + 13	Aug 265.50 267.00 265.00	Close Previous High/Low	Coine 5 price £ equivalent	Sep 125.79 124.00 125.80 124.50	Mar 755/4 750/4 757/0 747/0	
Platnum (por troy oz) \$541.50 +7.75	Oct 259 55 260.50 261.00 257.60	Feb 162.00 160.00 Apr 163.60 163.00 163.50	Mapieleat 419-424 236-239	Dec 121.00 110.70 121.30 119.60	May 786/0 782/0 788/0 786/0 Jul 773/2 789/6 774/4 785/4	1
Pelladium (per Ody 02) \$139.90 + 1.40	Turnover: Raw 3641 (1425) lots of 50 tonnes. White 865 (1534)	Jun 157.00 156.50 156.00	Britannia 419-424 236-239 US Engle 419-424 236-239	CRUDE OIL (Light) 42,000 US gails \$/barret	Aug 767/4 765/6 769/0 780/0	- <u> </u>
Aluminum (free market) \$2325 -10 Copper (US Producer) 156%-636 -13	Paris- White (FFr per tonne): Mar 1898, May	Aug 153.00 152.00 152.50 Turnover 60 (238)/ots of 20 tonnes.	Angel 419-424 236-239	Latast Previous High/Low Mar 17.57 18.39 18.22 17.55	Sep 740/0 740/0 744/0 734/0 . Nov 721/4 724/2 725/0 715/0	
Load (US Producer) 400 Nicket (Ince market) 860c + 20	1650, Aug 1855, Oct 1630, Dec 1620, Mar 1610	Turnover eu (233) loss de 20 tonnes.	Krugerrand 408-409 229-231 New Sov. 953,-983, 54-543,	Apr 17.10 17.88 17.68 17.10	Jan 729/4 732/0 732/0 723/0 Mar 735/0 739/0 737/0 732/0	REUTERS (Base: September 10 1931 - 100)
Tm (European free merkel) £4317.5 -7.5	LONDON METAL EXCHANCE TRADED OPTIONS	FREIGHT FUTURES \$10/index point	Old Sov. 864-884 54-544	May 16.98 17.62 17.38 16.92 Jun 16.80 17.46 17.16 16.73	SOYABEAN OF 60,000 lbs; cants/b	Jan 20 Jan 19 mnth ago yrango'
Tin (Kuala Lumper market) 20 30r + 0.09 Tin (New York) 347 1c	Aluminium (99.7%) Calls Puts	Close Previous High/Low	Noble Plat 547.60-661.35 308.70-318.45	Jul 16.60 17.23 16.95 16.60	Close Previous High/Low	1995.0 1997.6 1919.0 1773.8
Zinc (US Prime Western) 76%c + 1s	Strike price 5 tonne Mar May Mar May	Jan 1640 1626 1640 1620 Feb 1652 1633 1652 1610		Aug 16,49 17,00 16,90 16,45 Sep 16,40 16,95 16,85 16,40	Mar 21.98 21.55 22.02 21.45	DOW JONES (Base: Dec. 31 1974 = 100)
Cottle live weightit 110.18p -0.67* Sheen (duad weightif 142.37p -8 11*	2200 186 186 24 60	Apr 1878 1990 1990 1940	Silver tix p/fine cz US cts equiv	Oct 16.35 16.85 16.80 16.36	May 22.48 22.08 22.50 22.00	Spot 140.40 140.50 139.85 - 138.60 -
Sheep (doad weight)f 142.37p -6 11" Pigs (live weight)f 78.20p + 1.46"	2300 117 135 54 138	Lui 1475 1450 1477 1445 Oct 1585 1575 1585 1580	Spot 348.10 616.25 3 months 356.25 630.40	Dec 16.25 16.70 16.60 15.25 HEATTNG OIL 42.000 US galls, cente/US galls	Aug 23.07 22.72 23.10 22.75 -	PURUTES 143.70 143.40 144.58 136.98
London daily sugar (raw) \$249.4x -0.8		Jan 1595 1577 1595	0 months 389.90 644.90	Latest Previous High/Low	Sep 23.25 22.90 23.40 22.95	
London daily sugar (white) \$290.0x Tato and Lyle export price £249 0 -1.5		8FI 1545 1544	12 months 390.70 675.00	Feb 5090 5280 5190 5080	Dec 23.60 23.10 23.60 23.10	이 집에 가지 않는 것 같은 것 같은 것 같은 것 같은 것 같은 것 같은 것 같은 것 같
Barley (English feed) £115.5w	3200 253 244 89 258	Turnover 514 (416)		Mar 4900 5096 5010 4896	Jan 23.65 23.25 23.60 23.70	· · · · · · · · · · · · · · · · · · ·
Maizo IL/S No 3 yellow) \$1325	3400 154 172 178 421	GRAINS L/tonne	CRUDE OIL S/berrei	Apr 4710 4685 4780 4685 May 4655 4672 4610 4530	SOYABEAN MEAL 100 tons; S/ton	11.01.01.01.01.01.01.01.01.01.01.01.01.0
Wheat (US Dark Northern) £125.6v	TEA	Wheet Close Previous High/Low	Close Previous High/Low	Jun 4450 4562 4530 4440	Close Previous High/Low	
Rubber (scol)♥ 61 00p Rubber (Feb)♥ 68.75p	There were 18,242 peckages on offer including 3,200 offshore, reports the Tee.	Jan 112.25 112.10 112.50 112.25	Mar 16.20 17.00 16.60 16.15	Jun 4450 4552 4530 4440 Jul 4410 4507 4480 4410 Aug 4530 4552 4530 4530	Mar 243.6 242.9 244.8 241.5 May 241.1 241.7 243.0 239.0 Jul 238.5 239.2 241.0 239.0	INTERNATIONAL
Bubber (Mar) 🖤 69.00p	Brokers' Association. Assams came to a	Mar 114.40 114.50 114.45 114.30	Apr 15.97 16.69 16.33 15,88 LPE index 17.15 17.00	COCOA 10 tonnes.Stonnes		RESIDENTIAL
Rubber (KL RSS No 1 Feb) 307.0m +2.5	more selective market with prices showing	Many 117.85 117.65 117.85 117.55 Jun 119.35 119.25 119.35 119.15			Aug 234.0 235.2 237.0 232.5	PROPERTY
Coconut ori (Philippines)§ \$5204 +5 Palm Ori (Mataysian)§ \$360 0a	some urregularity but little change overall. Africans mot improved support at fully firm	Sep 102.95 102.75 102.95 102.85	Turnover: 2654 (5208)		Oct 221.0 225.0 225.0 220.0	
Copra (Philippines) \$ \$360	rates and brighter liquoring toss proved	Nov 105.45 105.20 105.45 105.30 Jan 108.80 108.50 100.80 108.60		May 1448 1425 1458 1479	U8C 217.0 221.7 222.6 217.0	Advertising
Soyabeans (US) 5182 -2 Cotton 'A' index 63.80c	dearcr, substantially. Ceylons attracted good competition at firm to dearer rates.		GAS OIL S/tonne	Jui 1445. 1415 1450 1416	MAIZE 5,000 bu min; centu/56b bushel	Appears in the
Woottops (64s Supar) 680p	Offshoro teas met only fair demand with	Barley Close Provious High/Low	Glose Previous High/Low	Dec 1425 1424 1425 1400		Weskend FT
C a tonne unless otherwise stated. p-penca/kg.	quality 149p nominal (150p), medium 116p	Jan 109.00 109.00 109.00	Feb 145.75 151.60 149.00 145.50	Mar 1440 1440 1425 1425		every Saturday
c-cents/i0_r-ringolt/kg_z-Mor_w-Feb_v-Apr/	(118p), low medium 86p (84p)	Mar 111.60 111.35 111.60 111.35 Mary 113.55 113.40 113.55 113.40	Mar 144.00 149.50 147.00 143.75 Apr 141.00 145.75 143.50 140.75	1409 1400 1400 -	May 275/0 274/4 276/6 273/6	For further details
May v-Fob/Apt. q-Apt x-Fob/Mot tMeal Com- mission average latstock prices. " change from	1 . 1	Sep 100.40 100.20 100.40 100.30	May 137.75 142.25 140.25 137.75	COFFEE "C" 37,500ibs; centa/ibs	Sen Doll Child	please contact
mission average tatted prices. Change from a week age. WLenden physical market. SCIF		Nov 102.85 102.75 102.85	Jun 136.50 140.25 138.25 136.25 Jul 136.00 140.50 138.25 136.00	Close Pravious High/Low	Dec 200/4 271/2 273/0	CLIVE BOOTH
Rotterdam - Builton market clase. m-Malay-	4 1	Turnover: Wheat 211 [181] . Sarley 28 (82) . Turnover loss of 100 topnes.	Tamover 7024 (9034) lots of 100 tonnes	Mar 140.85 142.30 142.40 140.50 May 137.43 138.49 138.40 136.00	Mar 276/4 278/0 279/0 276/4	Tel (01)248 5284
sian conts/kg.	d		Teleforde i des festell det Ar IAA Multipa		May 275/6 200/2 202/2 279/6	Fax (01)248 4601

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### LONDON STOCK EXCHANGE

# Equity sectors begin to feel the pace

recorded before 11.0am

THE FIRST signs of tiredness began to appear yesterday in a UK equity market which has enjoyed a virtually trouble-free run of 130 FT-SE points since breaking through the 1800 mark in the early days of the New Year. The international blue chips, which had staged further gains in the first half of the trading session, were cut back sharply towards the close as the central banks again intervened against the dollar, while gains in domestic issues were trimmed by some small sell programmes. However

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sell programmes. However, selling came from traders rather than from the invest-ment institutions and share prices were steadying in the

## Century rejects bid talk

Century Oils, the Stoke on Trent based speciality hubricants group, continued its. strong iun, with the abares

scrong run, with the shares racing up 9 to a twelve-month best of 1980 amid further take-over speculation. Century has risen sharply since before Christmas on mar-ket stories that a stake-build

since before Christmas on mar-ket stories, that a stake-build-ing operation could well be in motion as a preinde to a full-scale bid. But Mr Andy Hayman, director of public affairs at Century, said yester-day, that he knew of "no evi-dence of any stake-building operations. It's all pure speci-lation." Mr Hayman continued "We don't get that excited by these runours, which crop up, from time to time. We are the larg-est independent of our type, and other companies are for-ever looking at us. We just get on with the business of run-ning the company." But the whispers of a share-stake, being accumulated refused to die down. A block of 2.2m Century shares, repre-senting some 3 per cent of the capital, changed hands at 195% on Friday afternoon, triggering, the latest, bout of, speculation. BP made, an unstatement to take speculation. BP made an unsuccessful attempt to take over Cantury in October 1976, but the offer lapsed when it was referred to the Monopolies. & Mergers Commission.

### Divergent views

Another strong jush to a post-crash high by Smiths Industries set the advousin flowing and running a to the reason for the movement. A division emerged among researchers of the stock, some. of whom thought Smiths

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closing minutes of the trading section: Turnover appeared brisk, with Seaq volume at 600m shares compared with Friday's 903.2m, but the total included a hefty contribution from inter dealer trades. Genuine invest-ment activity was below's Friment activity was below's Fri-day's levels, and the market

was slow to move away from a quiet opening. The overnight bargains list was relatively equation this week. This morn-ing brings the latest survey of business opinion from mem-bers of the Confederation of Takeover situations, actual light, and only one bargain in excess of 1m shares was British Industry and on Friday the markets must face the UK trade figures for December. The first readings on the

FT-SE index showed little Later, when the check in the change, and only at mid-morndollar trimmed the blue chip equities, the gain in the FT-SE ing did a buy programme, sup-posedly from a US house, spor the market to a renewed advance which took the Foot-Index was reduced to 7.2 for a final reading of 1924.7.

The futures contract on the FT-SE Index, which over the past fortnight has been show-ing premiums over the undersie index up by 21 points to just above 1938. It was soon clear, however, that the institutions were unwilling to chase share prices higher, perhaps because they were nervous ahead of two new factors in the market ing index of around 30 points, followed a less certain track yesterday. The premium was sharply reduced at one time, but late huying restored it to

or imagined, played a less active role. Plessey eased as Thomson-CSF firmly rejected market bints that it might bid, while GEC shaded lower as the market awaited the next development on the GEC/Siemens

opment on the Oscietations move against Plessey. Shares in Consolidated Gold Fields alipped lower as the report on Minorco's takeover approach went from the Monopolies and Margers Commission to Lord Young, the British Minister who must make the final decison on the hid.

FINANCIAL TIMES STOCK INDICES Jan. Jan. Since Compilete Jan. Jan. 23 20 19 15 17 Low High Ago High **69,35** 91.43 85.18 127.4 49.18 (18/4/88) (14/12/88) (9/1/35) (3/1/75 86.15 88.08 87.54 87.54 69.39 97,10 96.92 96.64 96.71 96.53 Fixed Interest 98.57 94.14 105.4 50.53 (25/5/88) (8/1/88) (25/11/47) (3:1/75 95.45 1569.5 1349.0 1926.2 49.4 (23/1/89) (8/2/85) (16/7/87) (28/6/40) 1558.2 1540.0 1521.3 1563.9 1414.8 Gold Mines 164.3 812.5 180.7 734.7 43.5 (7/1/88) (3/1/89) (15/2/83) (26/10/71) 189.0 163.0 162.6 164.8 279.1 Ord, DL. Yield Earning: Yid %(full) P/E Ratio(Net)(\$) SEAC Bargains(5cm) Equity Turnover(2m)† Equity Gargains( Shares Traded (m)) 4.87 11.75 10.28 34,484 4.72 11.86 10.19 36,073 1728.10 36,649 698.6 4.78 11.98 20.17 28,527 1238.10 29,568 440.5 **4.70** 11.82 **S.E.** ACTIVITY 4.43 4.62 12.12 9.98 25,801 982.41 28,967 434.8 10.92 22,950 727.07 24,392 307.5 ndices Jan. 20 Jan 19 10.23 33,326 Gilt Edged Bergains 105.4 1632.84 Equity Bargeine Equity Value 239.0 36,882 718.0 3300.4 Equity Value 3000 = 5 - Day average Ghi Edged Bargains 116.4 Equity Bargaine 214.07 Equity Value 2788.6 Ordinary Share Index, H ourly a Dopening @ 10 am. @ 11 am. @ 12 pm. @ 1 pm. @ 2 pm. @ 3 pm. @ 4 pm. 1563.1 1567.2 1578.2 1579.0 1578.5 1581.2 1579.0 1569.5 DAY'S HIGH 1681.9 DAY'S LOW 1563.8 London Report and latest Share Index: Tot, 0898 123001 Basis 100 Govt. Seca 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, thill 10.221Excluding int

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

 
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in very thin trading, on talk of an imminent bid. Fairline Boats jumped 29 to 517p after a newsletter recommendation.

Italian group Flat was showing interest in certain component divisions of Lucas Industries ensured a continuation of the recent run and the shares ended 14% up at 585%p. Cur-rency considerations inspired further demand for Lex Services, 8 to the good at 339p, while humper annual profits put Central Motor Auctions 8 higher to 96p, Alexanders Holdings shares remained buoyant, gaining 5 more to 47p, although the board stated that the approach from T Cowie Led npwards again, closing a further 80 higher at 475p, albeit Mr Henry Clayton.

UK Paper were popular ahead of a presentation later this week and settled 10 higher at 217p, while United Newspapers revived 8 to 395p. Chapman Industries furthered Friday's sharp gain in response to a bid approach, rising 15 more to 365p, but Norton Opax eased to 172p after Bowater confirmed it was the huyer of the Maxwell Communication stake but had no intention of hidding for Norton. Unit trust and fund management groups had a better ses-sion with M&G rising 18 to

298p and Mercury Asset Man-agement gaining 9 to 391p. The listing of GT Venture Investment was restored and the close was 81p against the sus-pension level of 73p. Dealings in traded options

expiry in individual stocks, with most of the more actively handled having expiry dates this month, including BP, which attracted 4,744 call con-tracts and 790 puts, with a closing of interest seen to the January 250 calls, in which 2,515 contracts were handled.

29

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described the day as dull, though overall turnover came to double the mid-summer average, at \$8,535, made up of 45,617 calls and 12,918 pats. Trading in the FT-SE 100 index, which expires next Tuesday totalled 10,951, consisting of 6,552 calls and 4,399

 Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 23

£4 a share; at the close LASMO were down 10 at 474p. Premier, where Burmah recently topped up its stake to 29.9 per cent, remained a strong market, adding 2% more at 84%p, after Events may be reaching a crescendo in Thomson T-Line, currently fighting off an unwelcome offer from the Lad-broke Group. Late yesterday John Govett fund managers, and Universities Superannua-tion Scheme, announced sales totalling over 23m shares. This left some 15m shares unac-

-and selling in the stock yesterday. The international stocks were restrained by the offical action against, the dollar and largely gave back early gains. There was again heavy demand for Reniars, which put on 12 to 612p with 2.5m shares traded as investors took the view that the recent recovery

menter and gas sector unders performed the rest of the mar-ketwith sentiment slightly disturbed by the downturn in

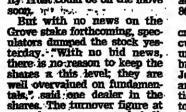
FT-A All-Share Index **Equity Shares Traded** Tumover by volume (million) ------Amy 600 500 400 300 200 100 Nov Dec Jan Jan

es, remains a buyer.

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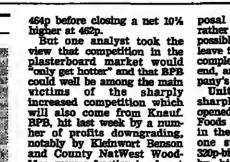
marketmakers. LASMO were upset by talk that one of the top UK securi-ties houses had lowered the independent of group's asset value from 26 a share to nearer George Winney, one of the UK's biggest contraction and housebuilding groups, turned down with a vengeance to close 22poff at 280p. The shares have risen strongly over the past few weeks as stories circu-lated in the market that part or all of the 35 per cent share stake held by the Grove Char-ity Trust could be on the move



shares. The turnover figure at 7.9m shares was an ample indication of the weight of activity

Wassall, were mentioned. Thomson shares closed 2 harder at 96p, compared with

in trading volumes in major stock markets will benefit sales a share. of Renters' electronic equip-



Mac, were a fraction harder at 236p despite BZW lowering its forecasts for the company. on the cards; the shares closed 2 up at 170%p after strong support from at least two leading

Stanley Miller were unset-tled by news of a possible investigation into dealings in the shares ahead of a contract awarded last year. The electronics were "out of favour" as one dealer put it. "We've virtually led the mar-

ket for three weeks and we are taking a breather by the look of it."

STC slipped 5% to 295p after Italy's Ohvetti denied it had been involved in talks with the UK group over STC's ICL sub-sidiary. GEC drifted off to 205p,

down 2% on the day, with 7m traded. Plessey, meanwhile, lost 4 to 244p on 2.2m. Racal Electronic fell late in the session to close 6 off at 323p with one securities house said to have been a determined seller of the traded options towards the end of the day. Racal Telecom fell the same amount to 227p.

counted for after Hanson had earlier revealed that it had acquired 8.5m shares, repre-senting a 5 per cent holding. Suggestions in the weekend Press that America's AT & T could be interested in acquir-City opinion suggested Wem-bley, the company reported to be negotiating funds for a ing SD-Scicon saw the latter's shares marked up to 83p before a close of 78p, up 4 on balance. counter offer, was the buyer, hut other names, including A deficiency of supplies accelerated the upward momentum in selected engineering stocks. These included Hawker Siddeley, np 12 at Hawker Stateley, np 12 at 597p, IMI, 8 higher at 210p, and Glynwed, 6 dearer at 301p. Takeover speculation contin-ned to boost Weir Group, 5. firmer at 269p, while news that Triplex Lloyd had acquired a small stake of 1.5 per cent 1690d James Weill 7 to 1000 the Ladbroke cash offer of 90p Action in the building mate rials companies concentrated. on Redinid. Talk in the market suggested that a deal was imminent between Redland and the Central Electricity

posal made Unigate more rather than less attractive to possible predators; "It should leave the balance sheet almost completely ungeared at year-end, and it enhances the com-pany's break-up potential." United Biscuits (UB) rose

United Biscuits (UB) rose sharply when the market opened on the news that A B Foods had taken a 2.1 per cent in the UK biscuit-maker. At one stage the shares were 320p-bid, helped on their way by hints that UB's brand names have been reluced at names have been valued at 500p-a-share. But as the realisa-tion set in that the A B Foods stake was probably a trade investment and not the launch-pad for a bid, UB lost all of their early gains to close 2 easier at 309p on turnover of 2.4m shares.

Gateway was again hit by profit-taking, and as a short 7m shares changed hands the stock closed 6 weaker at 173p. Bassett Foods, the target of an

Fisher shed a penny to 93p after announcing a £35m convertible issue to finance acqui-sitions in West Germany and the Netherlands.

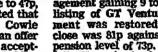
British Island Airways retreated 9 to 122p, after 105p, following news that talks with International Leisure, report-edly one of several possible bidders, had been terminated. AIM, however, jumped 20 to 295p on the award of a \$28m contract by McDonnell Doug-

Widespread comment that

# Duts.

were coloured by tomorrow's

More than one trader



Bassett Foods, the larger of an unwelcome offer from Swe-den's Procordia, climbed 10 to 465p on hopes that a white knight - possibly Cadbury Schweypes (down 3 at 363p) -will launch a rival bid. Albert Eicher chod a newer to 020

or warm introgen a high dollar content largely through the US Lear. Siegel jousiness. -- was only regaining its premium rat. ing. "Historically." underval-ned", said Mr Christopher Will of Shearcon Lehman Hutton of Shearson Lehman Hutton, who continued: "It is not diffcult to paint a rosy picture about group prospects". Other analysts were less cer-

spoke 'of lineavy demand recently from one source since a broking house advised an in-house switch from Dowty. There was no suggestion of stakebuilding yesterday, but the shares, up 8 at 2399, did receive extra zip from stock shortages after many market-makers had been caught wrongfooted on Friday. Klein-wort Benson another house to take a positive stance on the

ary Brent was down some 70 cents towards the close.

land contracting to buy up the CEGB's gypsum output to use in its plastsrboard manufactur-British Gas enjoyed another session of good turnover -11m were traded \* amid market ing plant currently under con-struction. Redland subsespeculation that a £2 bn-plus bid for Texas Eastern could be

### NEW HIGHS AND LOWS FOR 1988/89

NEW Hamon (140). INVERTIAN FUNDS (1) Treas. Spo. 1998, AMERICANDES (2) CARANCANE (2) RANCE (2) Floyed St. of Soot, Anglo Leasing, Capital Leasing, IMPERIENS (2) Gamanal Winhiny, General King, Wintermad 'A', REE DANCE (9) GFR, Conter, Likey (F.LC.), RMC, Frediend, Flogby, Steckey, Venture Pleat Gra, CHEMICALS (4) Caird, Jeyes, Pachese Email: Servis, Scherbor, A.S. (1988) Lloyde Chema, Do, 750 Cin, FL, SLDC:TROCKLE (4) Bellevic, Meantorne 'A', First Tech., JSB Eleot. Meantorne Swain, BildelinetWink (2) Caird, Meantorne Corp. First Tech., JSB Elect., Mervine-Swain, BRAINEENNIG (7) Camford, Davy Corp., Pairw, Howden Gro, Ti Gro., Thysten, Weitz, POODS (8) Bassett Foods, Food Inde., Dos (Win.), Ment Trick Sup., Tate & Lyte., Da. 7 250 Dr. PJ, HOTELPYD Landwida, SBUSTRIALS (8) AAF brins., Armour Tet., Berry Weinzlütz, Channel Express., Citatise Int., Cooper (A), Cossil, Darsongroup, ESI, Edean. DCL, Harmone G-po Net PL. 191-30, Hanson 5.7500 Co. PL, No-Switt,

quently denied the rumour. Redland shares raced up to Rackitt & Colonan, Rasmars '3', Socuricor 'A' M/V, Sonos, Sanitas Inda, Silin, Bua, Grp., WSP, MSURANCE (1) Trade Indexnolly, LESUIRE (4) Booroy & Hawles, Fairlice Boets, Hankmar, Lister TV, NEWSPAPERS (2) Haynes Pub, Planning Reach, & Sya, PAPERS (2) Chapman Inda, More O'Ferral, "PROPERTY (3) Endestor Proya, Soci. Metro Town Centre, SHIPPINA (3) CSL Corp., Sea Containes, Tablock, TRUSTS (31) OLLS (2) Century, Monarcent OL, OVERSEAS TRADERS (1) Sine Darby, NUMES (2), THM MARKET (2), NEW LOWE (18), CHEMICALS (1) Cambridge Isotope Laba, STORES (1) Partica, POODS (1) Everent Foods, BOUGTHALS (2) Bacton Grp., MOTORS (1) Spice, JRIOPERTY (2) Heating Countywide, Merchan Mand, Esta, TEXTILES (1) Mackay (High), TRUBTE (2) GPG, Melville Street Inv., MINES (1) Eleburg, THED MARKET (2).

ceived by analysts who follow the stock, but it failed to impress the market and the shares dropped 9 to 355p in moderate trading. Observers said the price fell

ing Board subsidiary Dairy Crest may have been well-re-

be imminent turned out to be the sale of part of Unigate Dairles, and not news of an important stake. But Mr Marcus Darville, analyst at Swiss Bank Stockbrok-ing, was prepared to take a more positive view of the deal. "It is a very sensible move because liquid milk is now a dull, no-growth business." He believed that the £152m dis-

moderate trading. Observers said the price fell because dealers were disap-pointed that the corporate activity rumoured last week to be imminent turned out to be the said of mont of the interview.

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## **APPOINTMENTS**

Gerrard & National chief

Board.

difficult as the group has grown and moved into new

areas." Mr Jones, who was one of the founding partners of BMP 21 years ago, has latterly been

in charge of the group's retail marketing operations. Mr Lewis joined BMP last

year from Whitbread where

director. His appointment to the board reflects the priority

now being given by BMP to the extension of its operations

he had been marketing

into Europe.

### W.H. Smith finance director

W.H. SMITH, the high street retailer and distribution group, has appointed Mr John Natiler as finance director, writes Moogle Urry : He will replace Mr Brian Jamieson, who is

to retire Mr Nagier was previously. senior partner of Totiche Ross, the hartered accountaints, for 15 years and has been an committent all his surptime accountant all his working life. At Touche Ross he advised a number of retailing and

a manufacturing companies. He will join W.H. Smith on February 1 and take over as finance director on April 1.

# Mr J. Limond has been appointed financial director, FET-BABGOCK ENERGY GROUP. The group is headed by Mr John Lace, who continues as managing director of one of the constituent companies

Babcock Energy. Appulated to the board of Babcock Energy as emecutive directors are, Mr. J.B. Prosser, power plant engineering, Mr D.I.M. High, projects, Mr D.G. Law, production; Mr A.Y. Innes, construction. Mr F.E. Hart becomes executive director and chief

executive, Babcock Constructors, the other group company. Mr L Smith succeeds Mr Hart as Bahcock Contractors director of marketing and sales.

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MP Roger Gibbs is to retire as rhairman of GERRARD & NATIONAL, the City of Thindon discount house group, on April 6, writes David Eascelles, Banking Editor. He will be succeeded by Mr Brian Williamson, currently a rector.

Mr Gibbs, who is 54 and has been with Genard for 16 years, is to become chairman of Wellcome Trust, which owns 75 per cent of Wellcome, the pharmacsuitcal company. He said he had always intended to leave before he reached the age of 55.

Mr Martin Boase, currently chairman and chief executive of BOASE MASSIMI POLLITT,

advertising and marketing services group, is relinquishing the post of chief executive but

will continue as executive

Mr Peter Jones becomes

Stephen Lewis joins the main

board, with responsibility for

The appointments reflect.

BMP's recent growth, notably since the merger last year with Davidson Pearce, another

1.1

advertising and marketing

chairman, torites Philip

chief executive, and Mr

the development of international business

Bawstorne .

Under Mr Gibbs, Gerrard has diversified away from its traditional discount business,

and is now engaged in commodities trading and stockbroking. Mr Williamson, 43, has been with Gerrard since 1972, and was for three years chairman of the London International Financial Futures Exchange. He is also a member of the Securities and Investments Mr Williamson said he was keen to see further expansion of the London money markets,

in those markets, had a major role to play in helping to get trading costs down, and making them more efficient. **Board changes at BMP** 

## Mr Christopher Mackenzie has been appointed a director of J. HENRY SCHRODER WAGG AND CO and will be responsible for Japanese mergers and acquisitions.

Mr Philip Taylor has been appointed director of marketing at TRADERMADE INTERNATIONAL He joins from the Saudi International Bank.

GRANADA GROUP has appointed Mr David Walker as managing director of its leisure division subsidiary, Granada Travel.

# management

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Research and Technology

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Tools

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5th - 12th April, 1989



For further information please conta

Arnold Rustemeyer, 25 Hurst Way, South Croydon, Surrey CR2 7AP, TeL: (1) 688-9541, Telefax: (1) 6810069, Telex: 8951514



and he believed that the discount houses, as jobbers SUN LIFE GROUP has

appointed Mr Geoffrey Harri-son-Dees (above), managing director of Sun Life Trust Management, to succeed Mr Frank Berry ,director and gen-eral manager (group sales and marketing), when he retires on

June 30. group. Mr Boase said yesterday: "Combining the roles of chairman and chief executive has become more

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		Construction         Construction<	Werthvidt	<ul> <li>Money Market</li> <li>Money Market</li> <li>Bank Accounts</li> <li>Gruss Het CAR be to</li> <li>AAB-Alfied Arab Bank Ldd</li> <li>Het CAR be to</li> /ul>
		Starting Carmany FLSDARKY 40.0004 - Officiant Far Estin Fd. St.0007 1.77% 9.35: USS Carmany FlaS12.0011 - Officiant UK Growth Fd. St.3581 1.4114 2.36: USS Carmany Fla Y1105.7229 -40.3677	<ul> <li>Scriptycher Kamp-Ges Mingritt, Jessey To Brast Fellul NAV. [5149 33 25 88]</li></ul>	AAB-Alfied Arab Bauk Ltd Yielder Under State Sta
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LONDON SHARE SERVICE

		LONDON SHARE SERVICE	INDUSTRIALS (Miscel.)-Contd   INDUSTRIALS (Miscel.)-Contd.
	1988/89 High         Stack         Price         + ur         Biv Ges         C vr Gr         Price         + ur         Biv Gr         V min         Contit           1546         4400 Filalbit         1348         -         3.6         -	Image: Stands         Prize (	1100         1100 <th< td=""></th<>
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	BOU       B	135       123       124       141       +7       126       131       131       236       161       160       124       17       262       142       -7       223       142       -7       223       142       -7       223       142       -7       223       142       -7       223       142       -7       223       142       -7       223       142       -7       223       142       -7       223       142       -7       243       143       7       27       243       143       7       27       243       143       7       27       243       143       7       27       243       143       7       27       243       143       127       143	164         151         Finance         7,5         2,6         5,5         11.4         151         15
	242       1554000 Leasing 100., 7       242       +5       155       6.6       1.9       101.6       DRCAPEERT PAD Stores         141       1000.6 (spc OP F500, 7       251,	220         1380 Penny & Gines Intl	213         10000 (1) (1) (1) (1) (1) (1) (1) (1) (1) (1)
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11       15 <td< td=""><td>1444       1124       123       123       123       124       <td< td=""><td>100       1</td><td>68       2019/man 1/1000 (1025c)       69       1       10214 (2113)       1171 (19) 551113         147       96/58 (nerrestione) 56 y       145       1171 (19) 551113       11127 (19) 551113         263       1000 (1</td></td<></td></td<>	1444       1124       123       123       123       124 <td< td=""><td>100       1</td><td>68       2019/man 1/1000 (1025c)       69       1       10214 (2113)       1171 (19) 551113         147       96/58 (nerrestione) 56 y       145       1171 (19) 551113       11127 (19) 551113         263       1000 (1</td></td<>	100       1	68       2019/man 1/1000 (1025c)       69       1       10214 (2113)       1171 (19) 551113         147       96/58 (nerrestione) 56 y       145       1171 (19) 551113       11127 (19) 551113         263       1000 (1
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FINANCIAL TIMES TUESDAY JANUARY 24 1989

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## LONDON SHARE SERVICE

LONDON SHARE SERVICE
LEISURE - Contd         PROPERTY         Text ILES - Contd         TRUSTS, FINANCE, LAND - Contd         OIL AND GAS - Contd         Nume         <
251       164       164       164       170       132       133       1
90       70% BITS 100
210       100       410       400       4
50       287 monosci 10
224       176       172       176       1
Index       Index <th< th=""></th<>
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357/01       357/11
277       210       413       4
172       5359-bit net NU 156 v       120       12
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## CURRENCIES, MONEY AND CAPITAL MARKETS

Strike Price 1,750 1,775 1,800 1,825 1,800 1,875 1,900

150

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PHILADELMEA SE 5/5 OPTIME 532,250 (cods per 52)

124551758283

Estimated volume total, Calls 0 Puts 0 Previous day's open Ial. Calls 164 Puts 3790

Nar 3.35 2.130 0.72 0.36 0.36 0.36 0.36 0.36 0.36 0.36

## FOREIGN EXCHANGES Intervention again hits dollar

CENTRAL BANKS remained opposed to bullish dollar sentiment on the foreign exchanges yesterday. As the market con-tinued to push the US currency higher the Federal Reserve and West German Bundesbank led another determined assault to counter the trend.

36

There has been co-ordinated intervention to sell the dollar intervention to sell the dollar on the last four consecutive trading days, dating from the release of the November US trade figures last Wednesday. A larger than expected widen-ing of the US trade gap failed to dampen the market's demend for the dollar Attm demand for the dollar. Atten-tion has turned away from economic fundamentals, to concentrate on interest rate differentials in favour of the

It sppears to be the market's determination to ignore fundamentals, and focus on interest rate factors that is worrying the central hanks.

President George Bush is also enjoying something of a honeymoon period, as far as the market is concerned. There is a mood of optimism that he will cut the US Budget deficit, even though it is by no means clear how this will be achieved The Fed intervened in early New York trading yesterday, selling the dollar near the day's high, at around

**C IN NEW YORK** 

Latest

7690-1.7690 0.62-0.60pm 1.56-1.51pm 4.28-4.18pm

Jan.23

Close

1,7770-1,7780 0,56-0,56cm 1,57-1,52pm 4,40-4,25pm

W. Germany Portugal

DM1.8480, and again after Europe had closed, pushing the currency below DM1.8300. The Bundesbank stepped in at a lit-tic above DM1.8400. This was followed by co-ordinated action involving the Bank of Canada and several major European central banks, with the excep-tion of the Swiss National Bank. The Bank of England; Bank of France; Bank of Italy; Bank of Spain; Austrian National Bank; and Belgian National Bank were all seen on

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the open market soon after the Fed and Bundesbank. Some central banks confirmed the intervention, and the Bank of Italy added thet it sold dollars for D-Marks at around DM1.8400. The others gave no details, but dealers suggested the Italian move was typical, involving dollars and D-Marks at around the DM1.8400 level.

The action by the Bank of England did not appear to involve sterling, and according to dealers was confined to the

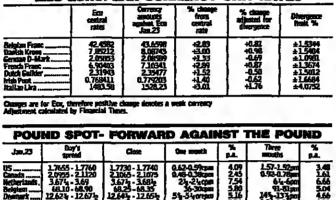
dollar against the D-Mark. The dollar retreated, to close in London at DM1.8380, compared with DM1.8435 on Friday. It also fell to Victor Friday. It also fell to Y127.80 from Y128.25; to SFr1.5575 from SFr1.5675; and to FFr6.2575

from FFr6.2800. On Bank of England figures the dollar's exchange rate index fell to 66.8 from 66.9.

Sterling attracted little attention, trading quietly in a narrow range. Expectations that UK interest rates will that OK interest rares will remain at the present level, at least until the Budget on March 14, provided some sup-port. The pound, like the dol-lar, continues to benefit from interest rate differentials.

Sterling rose % cent to \$1.7735. The pound was unchanged at DM3.2600 and Y226.75, but fell to SFr2.7625 from SFr2.7725 and to FFril.0975 from FFril.1050. According to the Bank of England, sterling's index rose

0.1 to 98.0. EMS EUROPEAN CURRENCY UNIT RATES



	STERL	ING	INDEX
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		Jan 23	Pretrious
8.30	am	96.0	98.0
9.00	and ment	97.9	912
10.00	am	97.9	97.7
11.00	200	96.0	97.7
Noon		96.0	97.9
1.00	pm	96.0	97.9
2.00	pot	96.0	97.9
3.00		98.0	97.9
4.00	pro	96,0	97,9

Special Draneing Rights

0.746549 L.31654 N/A 17.1810 51.3060 9.492599 2.44571 2.76636 8.35064 1793.95 168.706 8.35969 153.242 8.29843 2.081977 N/A N/A

164.61

Bank of a Morean\*\*

CURRENCY MOVEMENTS

173125

rate X

6.50

84

Jan 23

Norway Krone . Snaukh Peorta

### 1-57-1-520m 1-57-1-520m 0-12-0-78m 0-2-0-78m 1-54-520m 1-54-520m 1-54-520m 2-2-120m 5-4-520m 1-4-420m 4-4-420m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 5-4-540m 1-5-1-55 34646544719975813220014232001 4810-4850 12624-1267% 12150-12225 3254-3.27 286.00-28620 2024-20-20140 2024-20-20140 2024-1185-2 11.074-11.134 2284-2274 2284-2274 2.255-2274 6825-6835 12644-12655 12645-12655 12665-12095 3254-3262 20240-20270 20240-20270 20240-20270 20240-20270 20894-2029 11644-11165 11094-11125 2265-2290 22554-2274 36-300pm 54-54 (oreput 0.60-0.550pm 24-24 phipes 39-21 cpm 24-13 cpm 24-13 cpm 24-13 cpm 24-3 Austria ..... CURRENCY RATES DOLLAR SPOT- FORWARD AGAINST THE DOLLAR Mar Ja Carrence Unit Day's spread Three Jai 23 Close Gor month -1,7625 - 1,7760 1,4480 - 1,4680 1,1460 - 1,4680 1,1660 - 1,1900 20735 - 2,0670 38,40 - 38,70 7,12 - 7,164 1,1835 - 1,8485 1,504 - 1514 1,1405 - 114,50 1,345 - 1,1455 - 1,1455 1,345 - 1,1455 - 1,1 17730 - 17740 14570 - 14580 11880 - 11880 20745 - 20755 38.45 - 38.55 7 13 - 7133 14375 - 1.8385 1504 - 1507 114.20 - 114.30 13464 - 13474 6.65 - 6.657 6.257 - 6.25 6.254 - 6.27 6.254 - 6.27 137-1.52m 0.59-0.60m 165-1.61m 7.00-33.00m 2.05-1.65m 2.05-1.65m 2.05-1.65m 1.60-1.57m 1.60-1.57m 21-980m 8.60-2.80m 2.15-3.466m 1.175-2.0548 1.25-1.49pm 1.45-1.40pm 4713113232201523 0.638647 L.12977 1.34374 1.46253 43.6598 8.00743 2.08989 2.35477 7.10341 1528.23 144.893 7.56661 129.584 7.10171 1.76608 Belglass Denmark .... W. Germany Portugal .... 1.75-0.50orepra 0.61-0.58pfpan 28-40cdts 28-33cdts 2.90-3.600repts Spain Italy Norway France Swelen Japan Aestric Switzerland .15-1.40oredis 0.37-0.30cpm ,75-0.95oredis F7-SE 200 IRBEX 525 per fait index pain

0.53-0.50 t UK and 1 EURO-CURRENCY INTEREST-RATES 

## **FINANCIAL FUTURES** Sterling prices improve

futures prices until base rates start to fall, and no change is expected at least until the UK STERLING BASED futures rose on an optimistic note in Liffe trading yesterday. The more bullish tone derived its Budget in March. Short sterling for March delivery rose to a high of 87.42 before closing at 87.38 com-pared with 87.30 at the opening and 87.27 on Friday. Long git strength from a growing con-viction that UK interest rates will end the year lower than current levels. However, most traders see little chance of much further advance in futures also showed useful LEFTE LONG GET FUTURES LIFFE 85 TREASURY BORD FUTURES OFTIME 경크레워퍼 State ASAN ANA 13208802M 1222222 195555 VE B BE 100 102 104 Estimated volume total, Calls 4999 Pats 2612 Dominant dan's case int. Calls 27076 Pats 17216 Estimated volume total, Calls 75 Pats 105 Predout day's come lat. Calls 2506 Pats 3205 LIFFE EXCLOSULAR OFT Sig paints of 196% LIFFE 6/5 OFTAINS 625,000 (casis per 61)

Pats-

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A 193 2.798 1.31 0.83 0.49

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gains. Trading in the March contract was brisk with over 21,000 lots changing hands. The contract finished at 97-08, below its best level of 97-16 but up from 97-00 at the previous close.

US Treasury bond futures recorded a marginal improvement.



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JAPANESE YEN GRAN

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13155 90.48 90.48 90.50 90.50 90.50 90.50 90.52 90.49

Liter. 268.59 291.85 295.40

High 290,40 293,65 296,60

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# TRAKE AS

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23285 Estimated volume total, Calls 764 Pats 722 Profiles day's eyes inc. Calls 20544 Pats 19422 Estimated volume total, Calls 50 Puts 0 Previous day's open lat. Calls 5715 Puts 6397 ANDON SE 6/5 (1710) 12,500 (conts per 51) Series 1450 1700 1750 1800 1900 1900 Pats # 0.35 1.05 2.70 10.50 10.50 10.50 10.50 Apr 3.30 4.43 6.21 8.00 9.97 12.07 223 350 512 7.01 9.10 1136 13.70 Jan 2.00 3.50 5.20 5.20 4.30 14.30 14.30 76 1620 1325 1425 1420 130 140 130 130 485 335 222222 420 210 445 1040 day's open int: Calls 330,915 Pats 304,731(All carrencies) total, Calls N/A Pats N/A n Mr. Calls 223 Pats 149

### LONDON (LIFFE) CHICAGE N-YEAR 9% NOTIONAL GR B.S. TREASURY BORRS (CBT) 8% P-0-028779 H9999999999 1000 90-07 89-31 90-00 89-27 89-24 89-24

Estimated Volume 21752 (26574) Previous day's open Int., 28700 (28906 -10 YEAR 9% HOTHINAL GALT Clase High Law Pres. 94-20 94-23 94-22 94-11 Har Juq Estimated Volume 56 (10) Previous day's open Jot, 208 (218)

## 5% MITTINIAL LANS TERM JAP Close High Low Prev, 106.45 106.50 106.23 106.10 105.60 104.95

Clase High 87.38 87.42 88.17 88.21 88.68 98.72 89.96 89.10

Estimated Volume 315 (384) Previous day's open Int. 523 (520)

89-12 89-12 89-12 Pres. 91.83 91.78 91.78 91.89 91.89 91.82 91.83 Low 91.84 91.78 91.85 91.80 91.79 High 91.87 91.80 91.79 91.86

### 2102250 STAIEBARD & POORS 500 \$504 thes juick SWISS FRANC (DHID SFy 125,000 \$ per SF Low 87.30 88.06 88.61 87.00 Pres. 87.27 88.02 88.55 88.55 Latest, 0.6439 0.6508 Mar Jun Est. Vol. Gor. Figs. not showed 20681 (24364) Previous day's open Int. 54504 (53767)

Close High Low Prev. 195.40 196.50 194.30 194.40 198.45 199.50 196.70 197.45 mated Molecov 2925 (2855) Nom day's open Int. 16112 (16309) EUROPEAN OPTIONS EXCHANGE

## No. 6,842 Set by FRESCA 5 Sunday writer's humble ACROSS abode? (5) 6 Pantomime puis youth in an 1 Uncommon boxes with key uproar (7) 7 Is dosing a result of it? (9) 19 Glargy should be supported in view of audience (46) 4 Rum, for example, from one's country (6) 8 Praise the girl with three-quarter length stock-ings (7) 9 Fruit and nuts? (7) 13 Wise men get a grip on 6's treasure (5,4) 15 Nothing that is right is more mischievous (3) 17 Particular direction taken 11 Recoil well to the rear (6,4) 12 Teddy Nesbitt's bit of force? (4) 18 Giant given a turn in sports by ice particles in alp for-mation (7) car (5) 14 Family provided with mon-ster home after duke's act of consideration (3) 19 Turning grey about mythi-cal bird's food store (7) 21 From below a terrace all round 4? (5) 22 Moved gently up-river with a cargo of arsenic (5) 16 At 18 it's misery providing protection for some youngsters (8) 18 Head to tail rush of 20's (5) 20 Current male desire (4) 21 Look-out to crew - what's Solution to Puzzle No.6,841 RESEDA CONTRACT E T R S R E T O CEIDURE DESPOSE TOUT ECANNELLED H L N S A L ONAGER PRELATE N T A S Y A E S WEDDLER STARCH A C N S E M E TOUR TONE PAIR T D R I I S G A EXTREME PEASAINT S E S A E O NO going off?-(10) Entertainment with a differ-28 Enterthinment with a unter-ence (7) 24 Ode to a princess with 23 (7) 25 Mean line taken by parent with officer (6) 26 Fish in place of oysters sounded astrine (5). Latest Higs Law 0.7871 0.7872 0.7944 0.7963 0.7960 0.7963 0.7942 0.7961 0.9074 1 Hollow news story? (5) Righ Law Pret. 0.5467 0.5436 0.5473 0.5515 0.5487 0.5522 0.5525 0.5540 0.5570 2 Going down with a sack to collect metal (7) **3** Frightfully une giant's place of worship (9) Pat.48 90.48 90.49 90.57 90.99 90.99 90.99 90.99 90.99 90.99 ÷., 5, 54

JOTTER PAD ۰.

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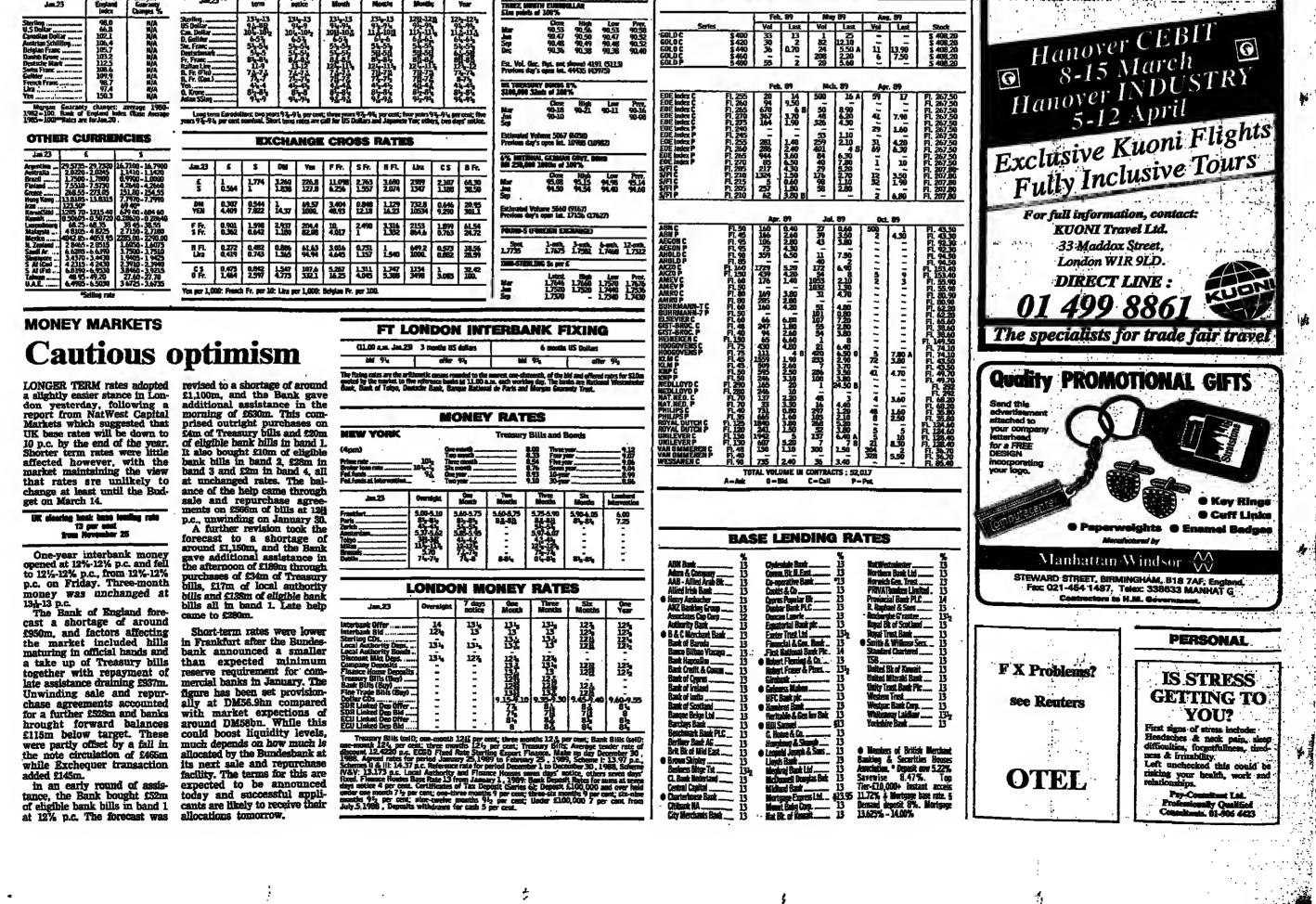
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FINANCIAL TIMES TUESDAY JANUARY 24 1989

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## WORLD STOCK MARKETS

			WORLD STO	CK MARKETS	
	AUSTRIA Jamainy 23 Sch + ar - FRANCE (continue Creditantal - Jamainey 23	B GERMANY (continued) Fig. + er-	ITALY (continued) SWEDEN January 23 Line + ar- (January 23 Kroser + ar-	1	
	Consum         2,190         12           interantal         3,190         +40           interantal         14,400         +100           Jumphrostate         10,000         +200		The second secon		ADA
	Jacobs real         368         +2         Banatic Ga           Partonoper         562         Banatic Ga         562           Reinlophan         718         48         BMP (Zart.lor.)           Supprit         194         49         Beptix Say           Step Daniele         71         41         00. Carts           Vettacker May         669         +14         Booprate	Z486         -14         DAS	Rasscene La         51.25         -40         AGA B G Tree         -222         -3           Sub	TORONTO 366 Count Gan 2014 21 21 21 21 20 Count of 20 Count of 20 21 21 21 21 20 Count of 20 Count of 21 21 21 1120 Count of 21 21 124 24 24 24 24 24 24 24 24 24 24 24 24 2	60440 Ladow A 320 20 20 20 4 400 Scot Paper 517 5 17 5 17 5 17 5 17 5 17 5 17 5 17
	Veisser May	300         -7         Before         Sign for the state of	Sett spin         P.B.ds         1-110         Erisson B Greet         375         -11           Said         From         1330         -12         Easting 8 Greet         212         e-3           Said         Signitum 8 Greet         212         Easting 8 Greet         212         e-3           Tern Asser         22,200         -600         Mar Och Deus B Fret         251         -10           Test France         22,400         -100         Mar Och Deus B Fret         201         -1           Unidem         22,120         -370         Samb>Gaula B Fret         201         -1           Samb>Caula B Fret         201         -10         Samb>Caula B Fret         201         -1	4201 Abittor Pr 520 191 191+ 1 1400 Crowitz 5124 124 124 4	INCOLUME (all 0)         Internal A         State         State<
	January 23 Fra. + er Cesim B S J	A33         -4.         Billinger & Berg	Sandvit 8 (Free)	347757 Alean \$413 403 405 - 3 40500 Deten 4 355 81 85 - 6	1000 MDE B         5214         214         214         5001 MDE Sour Acro 1         5004         204         4           S2000 Max Karrie         554         55         55         52         55         52         <
	B 8.1.         3,500         +50         Chargers           Bank totl. a Lor.         13,600         +50         Chargers         Chargers           Bange Kas Beig         14,000         -50         Collargers         Collargers           Beige Kas Beig         12,600         +50         Collargers         Collargers           Beiger Kas Beig         12,650         +600         Coalf         Collarger           Consect CS2         -6,780         +20         Coalf         Coalf           Cobrega         -5,510         -100         Coalf         Cogerer           Do. AFV 1         -5,550         -100         Coalf Socier Fr         Coalf Socier Fr	11256         Fat         Continental AL         2647            11252         -8         DLW         -668         -6           562         -1         Continental AL         -679         -13           366         +0         Datate ffrat         -679         +13           367         +2         Degate ffrat         159         +1           367         +2         Degate ffrat         159         +1           367         +2         Degate ffrat         159         +1           367         +2         Degate ffrat         1545         +25	HETHERLANDS         Stands (Fred         203         +3           Jammary 23         Fit.         + or -         Science and Scienc	347757 Aldan Sala 20 20	120507 Macroster 879's 10 10 10 10 10 10 10 10 10 10 10 10 10
	Convext CBR         6,780         -20         Coling           Colorga         5,510         -20         Coperty           Do. AFV 1         5,500         -100         Coref Factor Fr           Do. AFV 2         5,500         -100         Coref Factor Fr	307         72         Desame         3125         45.5           411         -9.1         Desame         54604         15415         42.5           307	Active         Pril.         + or         Skf 8 Frz         445         + 3           ACE Holding	1 1000 Due Moor work why why " " (1000 Durning 4151 431 431 4	62 Mc labra 524 74 74 74 40000 Term Ma 40 40 40 42 2 1000 Manusans 540% 10% 10% 10% 140000 Term Ma 40% 40% 40% 40% 40% 40% 40% 40% 40% 40%
	Cokrose 12.975 Dotts de France Definite 5,670 Dotts de France	1960 Completer 1771	AMED	Stores Be Agent 514 9 1412 142 - 4 313500 Echo Bay 5145 154 114 144 4 500 Encourt 510 154 154 154 154 154 155 155 Encourt 510 155 154 154 155 155 155 155 155 155 155	32700 Model Comp 510 300 300 - 5 1360 Tor Sun 526 y 28 28 32700 Model Comp 510 300 300 - 5 1360 Torster Bt 5314, 514, 514
	EBES         4720         During SA           Do. AFV1         6.000         -20         6ams (Dar Garden)           Do. AFV2         4.670         -30         5cco           Fabrique Rat         708         -2         Discover (Dar Garden)           Fabrique Rat         1.376         +12         Discover (Dar Garden)	Bio	Borsoniii Weby         132 00         +0.5         January 23         Prr.         + er -           Buchrasse-Tel         422 00         -0.2         Anamary 23         Prr.         + er -           Centry Tercs         -60.70         -0.2         Anamary 23         Prr.         + er -           Centry Tercs         -60.70         -0.2         Anamary 23         Prr.         + er -           Centry Tercs         -60.70         -0.2         Anamary 23         Prr.         + er -           Derivative Perroleum         -220.00         -4         Do. Pris Cents         -75         + 3           Environtion         -25.60	2100 Bornott A 812 124 124 - 4 25400 Ented ST4 4 454 454 25	21116 Motenon 8 23214 314 32 = 4 20120 1048 144 134 134 134 134 134 134 134 134 134
	Do. AFV 2         4.670         -50         Ecco           Fabrique Rot         708         -20         Dischaffafre           GB into Bill         1.3%6         +12         Elf-Amiliaire           Do. AFV         1.414         +14         Do. Qero           GB. Kino Bill         -0.5%         Electronic         Electronic           Do. AFV         -0.6%         +20         Electronic         Electronic           Do. AFV         -0.6%         +20         Electronic         Electronic           Do. AFV2         -0.6%         +20         Electronic         Electronic           Do. AFV2         -0.6%         +20         Electronic         Electronic           Do. AFV2         -0.6%         -0.6%         Electronic         Electronic           Do. AFV3         -0.4%         -0.6%         -0.6%         Electronic	87         17         18         12         42         45           37         -7         Baletinge Zan         601         5105         515           1721         -9         Hartinge Zan         5105         515         515           1725         -110         Herits         246         402         2           2950         420         Herits         246         402         2           1721         +10         Baseline         246         402         2           1721         +10         Herits         246         402         2         40         1	Conter Pars         40.70         -0.2         Ada Inti         1.975         125           Centrals Safter         56.00	8210 BC Phone 528 4 28 28 - 4 12100 Fin Trace 55 31 55+ 4	StOTOD Morecoche         400         385         385         1080 Tripper         1080 T
	Do. AFV 620 -28 Euromanter	2 Last 415 Hairman (2) 430 - 12	Holf Seton 178.20 -2 Cha Getty 2485 +15	14500 Anusent \$133 (32) 123+ 12 44400 CAE \$11 404 123- 1 6500 CB Pak \$175, 175, 175, 1 500 FlancesA1 244 24 24 - 1 500 FlancesA1 244 8 8 500 FlancesA1 244 8 8 500 FlancesA1 244 8 500 FlancesA	2500 Moranda 6 State on 1, 181, 1, 1 2400 Uniqueod 1 396 300 300 - 5
	Bo. AFV1         6.360         Finance           Do. AFV2         6.300         Finance         Finance           Cesart         6.400         Finance         Finance           Robins         14.000         Ginance         Ginance         Finance           Do. AFV2         5.400         Finance         Ginance         Finance           Robins         14.000         Ginance         Ginance         Ginance           Do. AFV         3.720         45         Ginance         Ginance           Do. AFV1         3.720         45         Ginance         Ginance	200 -2 Hand 451 -5 477 Hand the final 227 -2 1775 -5 Hand the final 227 -2 Hand the final 227 -2	Heall Series         178 20         172         Chu Geign         2 495         +15           Hoopsnee         74 10         2         Do. (Pictor)         2 260         +5           Hoopsnee         74 10         46         Do. (Pictor)         2 260         +5           Hoopsnee         71 90         46         Doreft Subsec         2 775         +25           Hoopsnee         71 90         41         Edetromati         3 025         +25           Ha Kueffer         77 40         41         Edetromati         3 025         +25           Kenster         43 50         41         Factor (Sec)         1 100         -10           Kenster         41 50         41         Du Pis         -213         -20           Kenster         41 50         -10         Factor (Sec)         1 100         -10	7300 CFCF 530 201 201 20 + 1 18560 FourSeam 1 205 20 20 - 2	201554 Rowmann 5261, 201, 201, 201, 201, 201, 201, 201, 20
		1/6         -3         Materie Works         24         +1.5           856         -3         Laketak         191         +2           675         -35         Vastak         -4         -4         +2           693         -12         Vastak         -4         -21         -21           925         -12         Vastak         -4         -21         -21           925         -1         KR0         -21         -21         -21           925         -1         KR0         -21         -21         -21           922         -1         KR0         -21         -21         -21           922         -1         KR0         -21         -21         -21           922         -1         Kraft Warte for         -265         +4           922         -1         Laketat         -714         -5           922         -1         Laketat         -719         -5           922         -1         Laketat         -719         -6	Hed Hild Bask 196.50 Hed -Rocke 1/10 13/725 +250	1 / 200 UPUP         2010         2017	18220 Howard W Stale 144 144 - 1 8 Wetchward 8174 174 174 7980 Human Stills 10 10 2200 West Francer Still 13
	Kredict hant         4.595         420         Hannet           Do. AFV         4.600         Do. Certs         Do. Certs           Pan Holdings         113,600         Doetal         Doetal           Refloring         113,600         Doetal         Doetal           Reflorings         113,600         Doetal         Doetal           Refloring         113,600         Doetal         Doetal           Refloring         113,600         Doetal         Doetal           Refloring         113,600         Doetal         Doetal		Martine         350 00	1000 Graten A1 504 54 54 54 54 54 54 54 54 54 54 54 54 54	Totalo Candi B 7         ST 1         Tite         4288         Woomst 8         810 4         45 7         36 4         1           600 Conset 4         S12 7         12 5         216 5         216 5         216 7         12 5 <t< td=""></t<>
		300         -2         Lafonass         154.5         40.5           748         +4         Do. M/P Ref.         122         -1.5           3215         +015         MMA         268.8         +1.8           526         +44         Do. Pref.         223         -1.5	Pailing         35.80         40.8         36.76 <t< td=""><td>2500 CP Format 545 45 45 - 4 Surg Card Ran 516 1 154 155 15 - 5 322201 CP Lat 221 221 221 221 - 4 Surg Card Ran 516 1 154 155 15 - 5 1100 C Rany 271 71 71 100 Natery 273 75 75 75 75</td><td>100000     Consumer A1     EX-44     244     744     1       207515     Power Consuma     100     175     174     1       207515     Power Consuma     100     175     174     1       207015     Power Consuma     100     145     14     1       2000     Power Consuma     204     205     1     1       2000     Power A1     105     104     164     14       2000     Power Consuma     100     16     1     1       2000     Power Consuma     100     16     1     1       2000     Power Consuma     100     1     1     1       2000     Power Consuma     1     205     202     208     1       2000     Power Consuma     104     1     1     1       2000     Power Consuma     1     1     1     1       2000     Power Consuma     1     1     1       2000     Power Const     <t< td=""></t<></td></t<>	2500 CP Format 545 45 45 - 4 Surg Card Ran 516 1 154 155 15 - 5 322201 CP Lat 221 221 221 221 - 4 Surg Card Ran 516 1 154 155 15 - 5 1100 C Rany 271 71 71 100 Natery 273 75 75 75 75	100000     Consumer A1     EX-44     244     744     1       207515     Power Consuma     100     175     174     1       207515     Power Consuma     100     175     174     1       207015     Power Consuma     100     145     14     1       2000     Power Consuma     204     205     1     1       2000     Power A1     105     104     164     14       2000     Power Consuma     100     16     1     1       2000     Power Consuma     100     16     1     1       2000     Power Consuma     100     1     1     1       2000     Power Consuma     1     205     202     208     1       2000     Power Consuma     104     1     1     1       2000     Power Consuma     1     1     1     1       2000     Power Consuma     1     1     1       2000     Power Const <t< td=""></t<>
- CR-2	Sofies	1 deb         -21         Missecrat         -71         5         -1           3 450         -100         Missecrats         700         +9         +9           1 520         -100         Missecrats         566         -5         5           405         -4         Missecrats         566         -5         -7           405         -4         Missecrats         566         -2         -23           400         -4         Missecrats         2200         -20         -20           1 (200         +9         Missecrats         200         -20         -20           1 (200         +9         Missecrats         2002         +22         +2           401         -9         -7         Missecrats         2022         +2         +2	Autiss         Autiss<	1100 C Rary         121 b         221 b	BOD Planet A         \$1575         1074         1675           136455 Pioneer M         285         282         288 + 1           440177 Piecer Dm E 177         118         7         -           IS388 Pione Pim E 174         158         44         94         -
1 (cer	Statement and Tessendersfor         150         Locatrance           Do. AFV         6.110         -30         Locatrance           Tractabel         6.250         +150         Locatrance           Tractabel         8.720         +200         Bactour Restore           Do. AFV1         8.720         +200         Bactour Restore	1         1         Ministration         1 <t< td=""><td>Vitu         95.80         40.3         Op-Swire         1.225         1-5           Westates         85.40         1.3         Op-Swire         1.555         4.13           Westates         15.40         1.5         Op-Swire         1.555         4.13</td><td>ABOTT CTIVE AI STATE         STATE<!--</td--><td>MEZE Provide SII 103 II + 1 MONTREAL</td></td></t<>	Vitu         95.80         40.3         Op-Swire         1.225         1-5           Westates         85.40         1.3         Op-Swire         1.555         4.13           Westates         15.40         1.5         Op-Swire         1.555         4.13	ABOTT CTIVE AI STATE         STATE </td <td>MEZE Provide SII 103 II + 1 MONTREAL</td>	MEZE Provide SII 103 II + 1 MONTREAL
	Do. AFV         6,280         +150         Locarise           Tractice         8,720         +20         Lyradia           Do. AFV1         8,720         +20         Lyradia           Do. AFV1         8,700         -10         Markow Pienter           Do. AFV2         8,700         -0         Markow Pienter           Do. AFV3         8,740         -0         Mercine Goria           Do. AFV3         8,740         -0         Mercine Goria           Do. AFV3         8,740         -0         Mercine Goria           Do. AFV3         -0         2,440         -0         Mercine Goria           Do. AFV4         -0,000         420         Mercine Goria         -0           UCB	266         -1         Presson         230         77           3.678         +6         Presson         1365         +15           3.906         -3         Rive law Vex Eller         238         +15           1.906         -3         Rive law Vex Eller         238         +17           1.906         +3         Rive law Vex Eller         238         +17           1.906         +3         Rive law Vex Eller         218.5         +12           1.906         +3         Rive law Vex Eller         218.5         +12           1.906         +3         Rive law Vex Eller         218.5         +12	Schader Chr	1700 Carson A 1 3754 334 154 - 4 100 Carson a S214 354 354 354 - 4 100 Carson a S214 354 354 354 - 4 100 Carson a S214 354 354 354 - 4 100 220 Inca S234 354 344	HOLD Meddani Sieve 141g 141g 141g 141g 1
1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	Do         AFV4         Construction         Afficients 8           UCB         10,075         +225         Milel (Cols	199         -3         Intra west Latz         238         47           1.465         -42	Alter         State         T/10         Alter         T/10         Alter         State         T/10         Alter         Al	251133         Caterness         5314         5315         5314	BECOD For Distance         Status
Service to Party Still		467 -3 Seringer Vig Rg 535	Alter         54.00         -1         ServerState         4.00         -85           Bergross Bank         154.00         -45         ServerState         1,035         -3           Christiana Bit         -146.00         -45         ServerState         1,025         -3           Ders Korste Cestk         -165.50         -3         De. For	4000 Charren 245 255 255 10 4000 Charren 245 255 255 10 4000 Charren 257 10 10 10 10 10 10 10 10 10 10 10 10 10	$\begin{array}{c} \text{RECOV} rel Statement B $274, 274, 274, 274, 274, 274, 274, 274, $
	January 23 Kr + or - Period dicard	1275 -50 Vieta 336 -2 1488 +40 Vieta 275.0 -1.2 1485 -19 Vietw 171 +11	Harsbard Nroc.         168.00         r-2         Unice State         1720         r-0           Konness         145.00         r-5         De Pig.         119         r-0           Konness         277.00         r-2         Wateriter         700         r-3           Bora Wateriter         274.00         r-2         Wateriter         700         r-3           Bora Wateriter         212.00         r-12         De Pig.         700         r-3           Mark Data Harris         44.00         r-2         Zerich Im         44.00         r-3           Mark Preg         1362.00         r-15         De Pig.         1,795         r-3	1000 Co Steel 1 St7         17         17         1         17         1         17         1         17 <th17< th="">         17         17</th17<>	6400 Santal 39 5 84 84 - 1 5000 Santalya 500 324 325 - 4
	Battica Hidgi S28.7 - 2.8 Poster 3.4	GC2         -6         Versie West         -43 zr         -21           1110         -10         Valksungen         -33 zz         -21           2547         -Do. Pert         -25         -25         -25           2648         -65         Weils Pert         -26         -25           2640         -25         -25         -25         -25	Knewing         272300         72         Watcher         4,000         -3           North Industrier         212,200         912         De Pre-         7000         -3           North Data A		Total Sales 7.328,181 shares
	Battics Hidgis         S28.7         -2.8         Poster 3.4           Cartisory         1186.4         -1.4         Politics Stocard           D. Sutherabati         331.6         -7.1         Protocol Stocard           D. Sutherabati         331.6         -7.1         Protocol Stocard           D. Sutherabati         420.7         -8.4         Protocol Stocard           Dan Danster Bank         -420.7         -8.4         Protocol Stocard           Cart Hodoling         -222.8         Reference	6407 Da. Pref 225 -25 22.646 -55 Weils Pref 225 -25 800 -10 Zanders Fein"per 200 -25 3255 +11 1225 +70 1226 +70 17ALY	SPAIN         January 23         Rand         + or -           January 23         Pb, % + er -         Abronom         4,65         40.05		ICES
	Konfikk Kahel A17.327 Sulve Novo lads 290.428 Sulve Prinsthanden 303.37 Sulve_Louis Revel Channe A 303.1 Sulve_Louis	Ald -7 January 23 Live + or -	Barco Biltan Via         1145         -10         Allied Tech         97           Barco Conzal         990         -7         Angle Am Cal         97         47           Barco Exterior         624         -5         Angle Am Col         67.75         +0.25           Barco Ritgam         790         -5         Angle Am Col         23.77         +0.75           Barco Rocalar         1.775         -         Barco Rocalar         23.25         +0.25           Barco Ratamic         713         -2         Bartor Rate         23.25         +0.25	NEW YORK DOW JONES	
	Revel Chapen A 390 390 Solid Losid Smitch (PU B 2620 FIG Source Schwider Schwider Schwider Schwider 366.2 = 1.4.6 Sch SA Schwider 4864.4 = 1.26 Schwider Seffinger Seffinger Seffinger Seffinger Seffinger Schwider	650 -2 Barra Kat Apric	Bacto Popular	Jan Jan Jan Jan Jan 1988/89 Slace compilation 20 19 10 17 High Low Hogh Low	23 20 19 38 Night Law
	FINLAND January 23 Mita + er	State         Section         10,950         151           1,113         +11         Bergu Carllere         11,450         -290           1,113         +11         GR	Corp. Magire 1570 De Sers 93 -1.05 Decision 455513 Declinal Gal 94 +0.15 Derin Mana 3130 Berlinal Gal 94 +0.1	Andrestrials         2225.36         2239.29         2218.75         2214.64         2239.29         1879.14         2722.42         41.22           Home Boals         89.24         99.24         89.12         019/1090         020/1080         02/8,807         02/7/32	All Drifesarles (2)(2)(30)
	Amer 199.5 +0.5 Solid Segmentie Fatulds Sogar 72.9 +2.4 Sect (Field Hotzamaki I Kres 177.5 +2 777 Hutzamaki I Kres 187.5 +3 KDP 63.8 -0.2 Telenech Elect	1131.         +1.1         Der for Australia         -1.000         -700           21.66         +1.00         Def for	Dectra Viceo         276	Transport         101/4-27         1020-91         1021-39         1004-36         102/1399         75/7         1101-16         12.32           Britisties         1%0.02         1%0.77         196.75         150.75         157.26         227.063         04/468         027/1680         04/6677         027/1680         04/6677         027/1680         04/6677         027/1680         04/6677         027/1680         04/6677         027/1680         04/6687         027/1680         04/677         027/1680         02/1680         02/1680         04/6321         027/1680         04/6321         027/1680         02/1680 <td< td=""><td>AUSTRIA Dreie Anten (30/12/090</td></td<>	AUSTRIA Dreie Anten (30/12/090
	Kyramene 125.5 +1 UFB (Acabail	Alling         Hall         Baselett         8135	Field Restand         47.1         Field Restand         47.4         Field Restand         10.4         47.1         10.4         47.1         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.4         10.5         10.4         10.5         10.4         10.5         10.4         10.5         10.4         10.5         10.4         10.5         10.4         10.5	ATAN's High (2249.46) Low (2221.25)	Brassets SE (2/1/840
	Polybia 8'         95.5         42.6         United from the second second from the second second from the second second from the second second from the second second from the second second from the second secon	713         -17         Fondarka         76,000         -1,400           560         +1         Conducta         18,19         -20           612         +1         General Astloar         43,819         -20           342         +3         General Astloar         43,819         -790           342         +3         General Astloar         12,399         -101           17F Priv.         20,000         -200         -20	March 1940	Stratistical activities         226.63         286.90         286.53         285.90         242.63         336.77         4.40           Stratistical activities         331.41         331.87         331.57         200.92         336.77         4.40           Stratistical activities         331.41         331.87         331.57         27.96         331.167         277.96         331.17         3.42           Figuratial accimited         25.96         25.60         25.57         25.43         26.42         25.31         25.43         3.64           Comparison         26.96         25.57         25.43         26.42         25.31         25.43         3.64	FieldAnd) Datas Ecrosol (1975)
IO'TTO!	Utd Paper Pri 1225 45 Wartsita 6111 12285 44 FRANCE Jamery 23	Bit Hill         Datable         <	SkiADE 200 -1.5 Restrant 6 40.15	Plancial         25.9         25.0         25.7         26.0         26.42         21.51         26.0         16.44           MYSE Consumity	FRANCE CAC Greene C31/12/622
JOTTER	January 23 Prs. + or - Actinut Verlebr	198.4 -1.2 Magneti Marell	Televistica	MYSE Consumit:         141.16         161.25         111.11         191.48         161.25         136.72         187.79         4.46           Amesa Mile, Valuer         311.52         318.54         318.22         316.57         1195.29         252.76         256.867         29.31         29.31           NASDAQ OTT Comp         391.66         390.08         328.08         326.05         394.77         452.85         54.07           NASDAQ OTT Comp         391.66         390.08         326.05         394.77         452.85         54.07	CEENAARY         FAZ Altin (21/12/58)         Sol. 21         S56. 94         S60 14         S51 07         S67 51/57/1890         396 40         I29/1/880           Commodulation (21/12/58)         1049.3         1649.3         1649.1         1678.1         1705 657.51/57/1890         1207 9         129/1/880           Dax (20/12/67)         1049.3         11649.3         1363.15         1705 657.51/57/1890         1207 9         129/1/880           DAX (20/12/67)         1105/1/1890         130.71         105/1/1890         131.18         63/1/1890
	Accor	828         -4         Mirs-Lings         46,260         -50           1,859         -15         Montadian         2,115         -34           393         -00-entit         -9,385         -115         -34           1265         -1         Finelli Co         7,150         -125           6200          Finelli Co         7,150         -34	Data         Data         72.7         -L.9         Tiper Data         156           Bata         2.540	Jan 13         Jan 6         Dec 30         year age (approx.)           Dow industrial Dir, Yield         3.60         3.66         3.70         3.54	HQNE KONG Bang Sang Bank C3/77640 2897.53 2097.91 2909.66 2913.05 2923.05 (18/1/89) 2223.56 (8/2/86)
	JAPANS	The state attended to the state of the state	AUSTRALIA (conditioned)	Jan 1B         Jan 11         Jan 5         year app (apparts)           S 6 P (adaptical div, yield         3.13         3.15         3.17         3.17           S 6 P (adaptical div, yield         3.13         3.25         3.17         3.17           S 6 P (adaptical div, yield         3.30         13.09         12.97         15.69	ITALY Banca Dame, Ital. (1972)
	January 23 Yas + er January 23	Yen         + or         January 23         Yen         + or           1,730         750         Nition Sec         2,040         -10           775         +8         Nition Sec         1,270         +30           939         +11         Nition Get Sec         1,270         +30	Takara Sman and 885	TRADHAE ACTIVITY 1 Values MEW YORK Jan 20 Jan 19 Jan 10 Jan 20 Jan 19 Jan 10 Jan 20 Jan 19 Jan 10 Ja	Utitieri (124/54497
CEBIT .	Amang		Transfer Catalanter 17 760 (.20 Last Aust Rook 16 20 L	liter Yurt 167 515 173 857 184 397 Liter Yurt 167 515 173 857 184 397 Liter Yurt 1540	ANP-CBS General (1970)
arch	Antitist	1,560	Construction         Construction<	CANADA	Dido SE 14/2/839
DI STR	Asahi Breetries 2120 466 Eantenter Asahi Chevinals 21090 410 Kanto Asahi Gestar 2000 410 Kanto Asahi Gestar 2000 410 Kanto	770 Luc," Suppos Mar, 290; 1,940 -60	Id. Ametro I. 570         1.200         1.000	TORONTO         20         19         10         17         Http://         Low           Intrafix & Marcally         3535, 9         1509 AI         3493 51         3400.01         3535, 9         2238,7         8/2/180	SOUTR AFRICA         1346.0a         1329.0         1306.0         1401.0         0777/000         1154.8         (4/5/000           JSE Fold (28/9/780
Inril	Asabi Giorgi	3         200         +160         Mispon Billing         20%         -6           5         75         7         -10         1.640         -10           7         75         7         -10         1.640         -10           10700         -20         Hispin Pairit         -80         +3         10           10700         -20         Hispin Saloo         -20         +40         1.950         +40           10700         -20         Hispin Saloo         -20         +7         -8         +40         +7         -8           903         +18         Mispin Saloo         -20         -7         -6         +7         -20         +4         -20         +7         -20         +4         -20         +4         -20         +4         -20         +4         -20         +4	Tokie Marine	HONTREAL Perdele 1791.73 1793.63 1778.16 1793.63 1793.63 1191/180 1305.06 (27)1/80	SPAIN Madrid SE (50/12/85)
	Calipis Food 1370 430 Kelbin Eler Em	Solo         43         Mappin Selto	Totaryena Sola         899         -1         Pozridea         2.40           Totaro Brazilar         2.740         +10         Revisca Gial?the         5.50         +02           Totaro Excite Par         7.180         +60         Revisca Gial?the         9.50         +02           Totaro Excite Par         7.180         +60         Revisca Gial?the         9.50         +0.2           Totaro Excite Par         7.180         +60         Revisca Gial?the         9.50         +0.02           Totaro Excite Par         7.180         +60         Safeta         9.30         +0.03           Totaro Excite Par         7.280         +60         Safeta         9.30         +0.03           Totaro Excite Par         7.280         +60         Safeta         3.50         +0.03	NEW YORK ACTIVE STOCKS Sads Daing Damp Stats Casing Damp Friday Dated pitts of day Statis Listing pitts of day	SWEDEN: Jacoboe & P. (31/12/56)
icin Im	Cason         Cason <th< td=""><td>200         +160         Nippon Billing         256         -6           55         -3         Nippon Bill         1.640         -10           1700         -60         Nippon Dill         87.5         +3           1770         -60         Nippon Dill         87.5         +3           1070         -60         Nippon State         87.5         +3           1070         -60         Nippon State         87.5         +40           93         +18         Nippon State         92.7         -6           77.3         +18         Nippon States         92.7         -6           1400         +20         Nippon States         92.7         -6           1200         +20         Nippon States         1270         -70           1200         +20         Nippon States         1270         -71           1200         +20         Nippon State         97.9         -71           1200         +20         Nippon State         97.9         -71           1200         +20         Nippon State         97.6         +15           2040         +20         Nippon State         97.4         +15           150<td>Totico Start 3.050 +70 Some of Genetia 5.00 Totico Style 1.720 Than Receive 3.59 -0.01 Totico Cont 1.220 +40 Toolt 7.40</td><td>Stands         Closure traded         Stands         Closure on diay         Stands         Closure traded         Stands         Closure on diay           Tessor         3.953.800         50%         +         4.461         1.601.000         92%         -         &lt;</td><td>Swins Bank Ind. C31/12/500         625.0         625.0         625.4         626.1         634.2         616.6         613/1/800           WORLD IN S. Capital Int. C1/1/700         Get         500.7         505.2         506.6         6.6/1/7070         401.0         621/1/800</td></td></th<>	200         +160         Nippon Billing         256         -6           55         -3         Nippon Bill         1.640         -10           1700         -60         Nippon Dill         87.5         +3           1770         -60         Nippon Dill         87.5         +3           1070         -60         Nippon State         87.5         +3           1070         -60         Nippon State         87.5         +40           93         +18         Nippon State         92.7         -6           77.3         +18         Nippon States         92.7         -6           1400         +20         Nippon States         92.7         -6           1200         +20         Nippon States         1270         -70           1200         +20         Nippon States         1270         -71           1200         +20         Nippon State         97.9         -71           1200         +20         Nippon State         97.9         -71           1200         +20         Nippon State         97.6         +15           2040         +20         Nippon State         97.4         +15           150 <td>Totico Start 3.050 +70 Some of Genetia 5.00 Totico Style 1.720 Than Receive 3.59 -0.01 Totico Cont 1.220 +40 Toolt 7.40</td> <td>Stands         Closure traded         Stands         Closure on diay         Stands         Closure traded         Stands         Closure on diay           Tessor         3.953.800         50%         +         4.461         1.601.000         92%         -         &lt;</td> <td>Swins Bank Ind. C31/12/500         625.0         625.0         625.4         626.1         634.2         616.6         613/1/800           WORLD IN S. Capital Int. C1/1/700         Get         500.7         505.2         506.6         6.6/1/7070         401.0         621/1/800</td>	Totico Start 3.050 +70 Some of Genetia 5.00 Totico Style 1.720 Than Receive 3.59 -0.01 Totico Cont 1.220 +40 Toolt 7.40	Stands         Closure traded         Stands         Closure on diay         Stands         Closure traded         Stands         Closure on diay           Tessor         3.953.800         50%         +         4.461         1.601.000         92%         -         <	Swins Bank Ind. C31/12/500         625.0         625.0         625.4         626.1         634.2         616.6         613/1/800           WORLD IN S. Capital Int. C1/1/700         Get         500.7         505.2         506.6         6.6/1/7070         401.0         621/1/800
1.1.1.	Calinal Gass 810 +3 Kohe Sees Calina Baak 1,470 = Koha Mig Calinata Gran 1,100 - +10 Koha Mig Calinata File 1,120 - 10 Kohaya Electric	719 - 46 - 450 - 450 - 22,800 -100 4,150 - 450 - 100 - 22,800 -100 5500 - 40 - 100 - 1,460 -770 3,070 - 10 - 100 - 100 - 1,460 - 170 3,070 - 10 - 100 - 100 - 100 - 100 - 100 - 100 1,000 - 100 -		Raboo R/R	**Saturday Jan. 21: Japan Nikkei (c) 75E (c) & Subject to official recalculation. Base values of all ludices are 200 encept Brussels 5E and DAX - 1,000 JSE Gold - 255 T JSE Industriats - 264.3 and Australia. All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.
ing a second	Chulte Elcci. Par 4, 920. +220 Konica - Clugal Plana 1, 570 -10 Konica - Caugal Plana 1, 570 -10 Konica - Caugal Plana 1, 570 -10 Konica - Citizan Watch - 960 +220 Konica - Citizan Watch	992         +1.8         Histomatica Cons	Testing Ener.         1050	s industrial, plus VUIIUcs, Financial and Transportation. Ict Closed. Ich Unseinlichie.	unuourran - 2012 ann Australia, All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.
96 7 <del>1</del> 2	Valcen Lacenskal	VIII         Historia Flat         750	Taya Gongtanzi		
and 🕅	Convoid Firm         1100         100           Carbo de Firm         4.900.         +220         Konteye           Carbo de Firm         -30         Konteye         -40           Carbo de Firm         -900         +20         Konteye           Databat Social         -905         +4         Konteye           Databat Social         -905         +40         Konteye           Databat Social         -905         +905         Konteye           Databat Social         -905         -905         Konteye           Datatoto Social	Tol -4 Nitto Borets	Topikin Ellect         1050	TOKYO - Most Active Stocks Monday 23 January 1989	
181 : 00K1	Dal Nispon tot	1890 - 1890 - 1890 - 199 4,970 - 60 Borneta - 1,940 - 19 1500 - 0 Odatys Elec. Rhy - 1,450 + 20 1500 - 0 Odatys Elec. Rhy - 1,450 + 20 4220 + 1460 - 199 + 50	1090 totoor         201         Amon Pros.         327           1090 Solitz         700         Bank Ext.Add         211.60         43.5           1090 Solitz         725         +120         Cather Pachts         91.00         43.5           1090 Solitz         25.00         +20         Cather Pachts         91.00         40.15           1090 Solitz         32.4         6         Cather Pachts         91.00         40.15           1090 Solitz         32.4         6         Cather Pachts         91.00         40.15           1090 Solitz         32.4         6         Cather Pachts         91.0         40.15           1090 Solitz         32.4         6         Cather Lippt         14.4         40.1           1090 Solitz         46.9         43         Cather Lippt         14.4         40.1           1090 Solitz         14.3         -2         Don Hymo Hifes         14.6         40.05           1090 Solitz         46.6         43.5         Hymo Hymo Hifes         30.5         40.05           1090 Solitz         14.15         14.00         40.05         40.05         40.05           1090 Solitz         14.30         40.05         40.05         40	Sibcla Closing Change Sibcla Closing Change Traded Prices on day Traded Prices on day	12 FREE issues when you first subscribe to the FT @ Frankfurt (009) 7598-101
Vau	Dates Sink 1.550 -20 Lang Term Croil	1.500         —         Oddrys Bir Ry         1.440         420           9.200         H160         Birgysch 4amt         1.250         -50           1.000         -         Birgysch 4amt         1.250         -50           1.000         -         Birgysch 4amt         1.250         -60           21.500         -         Birgysch 4amt         1.250         -60           1.500         -         Birgysch 4amt         1.250         -40           1.600         -         Birgysch 4amt         1.250         -40           1.400         -         Birgysch 4amt         1.250         -40           1.400         -         Birgysch 2amat         1.000         -40           1.400         -         Birgysch 2amat         1.000         -40           1.100         -         Birgysch 2amat         1.500         -50 <td>Tangmani         1940         1+3         Callar Mictor         24.00           UBE Indo         143         -2         Const Histor         40.1         +0.1           UBE Indo         143         -2         Const Histor         1.54         +0.1           OutLibs        </td> <td>Sibcles         Change         Stocks         Change         Stocks         Change           Tradad         Prices         on day         Tradad         Prices         on day           MM1         Tradad         Prices         on day         Tradad         Prices         on day           MM1         Total         200         +30         Manubeni         Tradad         Prices         on day           Talwad         33.7m         1.370         +40         Hazama         14.5m         1.000         +40           Japan Uine         37.6m         2.45         23         Frights         14.3m         1.000         +40           Nahindextu         21.6m         1.310         +50         Mitsul 05K         15.4m         1.000         +24           Nahindextu         21.6m         1.010         +50         Mitsul         13.4m         100         +26</td> <td>now and ask Wilf Brüssel for details. FINANCIAL TIMES</td>	Tangmani         1940         1+3         Callar Mictor         24.00           UBE Indo         143         -2         Const Histor         40.1         +0.1           UBE Indo         143         -2         Const Histor         1.54         +0.1           OutLibs	Sibcles         Change         Stocks         Change         Stocks         Change           Tradad         Prices         on day         Tradad         Prices         on day           MM1         Tradad         Prices         on day         Tradad         Prices         on day           MM1         Total         200         +30         Manubeni         Tradad         Prices         on day           Talwad         33.7m         1.370         +40         Hazama         14.5m         1.000         +40           Japan Uine         37.6m         2.45         23         Frights         14.3m         1.000         +40           Nahindextu         21.6m         1.310         +50         Mitsul 05K         15.4m         1.000         +24           Nahindextu         21.6m         1.010         +50         Mitsul         13.4m         100         +26	now and ask Wilf Brüssel for details. FINANCIAL TIMES
e trivie fait the	Denko Sc 2400 470 470 470 170 170 170 170 170 170 170 170 170 1	1000         -560         DJ Electric         -46           21.500         -560         DJ Electric         -46           1510         -46         -46         -30           1500         -50         Obum Mack         -110         -30           1000         -40         Obum Mack         -120         -46           1000         -40         Obum Mack         -120         -46           1000         -40         Obum Mack         -100         +20           1170         -10         Obvert         -5150         +50           3100         -40         Ortest Fears         -1360         +20           1570         -10         Ortest Leading         -3300         -20           0         Ortest Leading         -3300         -45	Watcali         11,150         1-10         Hardword Ref.         1,347         40,01           Watcali         1,360         1,360         1,367         1,367         40,01           Yamaka Notor         1,380         1,360         1,367         40,01           Yamaka Notor         1,390         1,464         1,565         40,11           Yamaka Notor         1,390         1,844         1,500         40,11	Nashingesu 21.5m 1,010 +85 MELCO 13.6m 1,100 +20	
TIONAL GET	Chrysols File       110       -10       Konzyo         Chuybe Ekch Feer       1.570       -10       Konzyo       Konzyo         Chuybe Ekch Feer       1.570       -10       Konzyo       Konzyo         Darsak Bi Ponzor       1.570       -10       Konzyo       Konzyo         Darsak Bi Ponzor       2.570       -47       Konzyo       Konzyo         Darsak Skredu       2570       -47       Konzyo       Konzyo         Darsak Skredu       2.570       -47       Konzyo       Konzyo         Darsak Skredu       2.500       +40       Konzyo       Konzyo         Darsak Skredu       2.500       +50       Konzyo       Konzyo       Konzyo         Darsak Skredu       2.500       +50       Konzyo Shrayo	1000	Yarmnuchi 4.046 46 HK Electric 7.65 +0.05		
Ilour	Fedo Construct 005 Fedi Bank 070- Fedi Electric 066 Fedi Electric 066 Fedi Electric 066	2,490	Yamano Ecoy         1400         1100         1100         40.05           Yamano Tong         1400         110         10.05         40.05           Yamano Tong         1400         110         40.05         40.05           Yamano Tong         120         110         40.05         40.05           Yamano Tong         120         110         40.05         40.05           Yamano Dot         120         110         40.05         40.05           Yamano Dot         120         120         120         40.05           Yamano Dot         120         120         120         40.05           Yamano Dot         120         120         120         40.05           Yamano Dot         120         120         40.05         40.05		
	Fail Fire & Nar	1100         +10         Impair Co         2570         1-39           1200         +20         Samare Bank         1400         -20           1900         +20         Samare Bank         1400         -20           1900         +10         Samare Bank         150         +40           1900         +10         Samare Bank         1360         +10           1900         +10         Samare Bank         1360         +10           1370         +20         Samare Bank         1360         +50           1370         +20         Samare Bank         1370         +20	Yosiskawe Elect	Your FT hand delive	vered in Germany
	Full Spinolog 1220 III M Take Bank 2220 III M Take Bank	1200	AUSTRALIA January 23 August 4 ar - Hardward Control - 9,05 - 0,05		•
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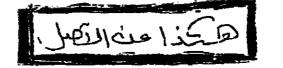
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# NYSE COMPOSITE PRICES **OVER-THE-COUNTER** Nasdag national market Tit Mooth Fr Max Car ya Tit Mooth Fr Max Constants Constants The This The This Maniful Law Constants Constants The This This This This This This This Start 3pm prices Jenuary 23 Chige Class Prev. Class Close Citi'ge Ine Prov. State Cicate 12 Nosth High Low 5 den 1909 513 38 95 11 95 P/ Sie Div. Yit.E 100eHigh Low 12 Moath High Low 14 Sta Div, Yhi, (\* 100au 11 <td 44 34<

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### Φ WORLD STOCK MARKETS

# **FINANCIAL TIMES**

**By Alison Maltiand** 

Its rise of 16.09 per cent in starting terms since the start of the year compares with a gain of 3.94 per cent for Europe as a whole and of 3.91 per cent for

the work! The momentum con-tinued last week, with Norway

into tax-favoured savings

investment.

EUROPE

## Tuesday January 24 1989

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## AMERICA Late selling burst brings lacklustre Dow to life

1.1

### Wall Street

WITH the Bush administration with the joint auministration now in place and in the absence of any leading eco-nomic reports, the week got off to a quiet start on Wall Street, writes Karen Zagor in New

The day started on a high note when the Dow Jones Industrial Average jumped more than 13 points in early trading, due mainly to futures-related buying, but this soon tailed off tailed off. For most of the rest of the

session, the Dow stood virtu-ally unchanged from Friday's close. In the last half an hour, however, the index suddenly slumped to close 16.97 points at 2,2218.39. Volume was moder-ate at 142m shares.

The shunp appeared to have been triggered by programmed stock index arbitrage trades although some dealers blamed it on the dollar which weakened after another round of coordinated central bank intervention. In late New York tradng, the dollar was quoted near the day's low at Y127.50 and at DM1.8315. However, its slide was not significant enough to undermine bonds.

The Treasury's benchmark 30-year long bond closed % point higher in spite of the dollar's weakness to yield 8.85 per cent. Fed Funds closed at their highest level for the session at 9% per cent, marking a return above 9 per cent — an area most boud traders believe to be the Federal Reserve's target range

Both the debt and stock markets are now looking to the release of the December dura-1987. ble goods figures on Thursday and the advance report of fourth quarter gross national

share prices, while the dollar should stay roughly in its recent trading range. The Dow Jones Industrial Average should hold in a range of 2,000 to 2,300 in the first half, and US EQUITIES are likely to have an unexciting first half year but prices should improve in the second half and 1990 could be "an outstanding year," according to Kidder, Peabody, the US investment bank, writes Alison Mattland. This view is based on the expectation that US interest

to 2,300 in the first half, and then climb to 2,350 or 2,400 by the end of the year. Kidder, Peabody has low-ered its coulty exposure, with its institutional balanced port-folio carrently 40 per cent allo-cated to equities, 10 per cent to debt and 50 per cent to cash. But it expects this to return to close to "normal" weightings of 70 per cent equi-ties, 20 per cent debt and 10 expectation that US interest rates have further to rise, peaking in the second quarter, before beginning to fall in the third quarter, says Mr Joseph Fuchs, managing director and head of equity research at Kid-der, Peabody, who was in Lon-don yesterday to talk to UK institutions. Mr Fuchs believes the US economy should have a "soft landing", probably undergoing

ties, 20 per cent debt and 10 per cent cash by year end. Once the "wall of worry" about interest rates has been breached, equities should be landing", probably undergoing a mild recession by the end of the year but not enough to hit revalued upwards next year, says Mr Fochs.

and the second sec

ing gain of \$% to close unchanged at \$70% after news product figures on Friday. Texas Eastern, tha natural gas distributor, continued to climb on news thet is was of 1988 earnings of \$4.51 a share from \$4.81 a year ago. Union Carbide, the restruc-tured chemical concern, lost looking for an improvement on Costal's takeover offer of \$42 a share. The stock was one of the \$% to \$27% on fourth quarter most active on the New York Stock Exchange and closed earnings of \$1.59 a share against 17 cents a share last with a gain of \$1% at \$48% substantially above the offer price. The shares were traded Among the day's most active

issues was Boeing which conust above \$30 until 10 days tinned to weaken yesterday after last week's losses. Boeing ago. Minnesota Mining and Manshares dropped \$1% to \$58%. Other blue chips to lose ground were IBM, down \$1% at ufacturing (3M) recovered from an early loss to close \$% higher at \$62% following the release of the company's fourth quarter earnings which were \$1.21 a share compared to 95 cents a chare a last ware \$122%, Digital Equipment which fell \$% to \$106%

Canada

cents a share a last year. Monsanto, the chemicals and PROFIT-TAKING bronght Toronto stock prices lower harmacneticals group, rose \$1% to \$87% on earnings per share of \$8.27 up from \$5.63 in after several days of merger-fuelled gains last week. The composite index

Corning Glassworks, the declined 14.90 at 3558.60 as falls manufacturer of specialty glass ontran gains, 418 to 331 on vol-ume of 29m shares. products, fell back from morn-

## ASIA PACIFIC Firmer yen helps Nikkei shake off cautious tone

### Tokyo

THE MODERATE recovery of the yen and subsequent easing of pressure on short-term inter-est rates boosted investor confidence in Japanese equities yesterday and triggered a rally on substantial turnover, writes Michiyo Nakamoto in Tokyo.

The Nikkel average, which ad fallen in the previous two

### Heavy Industries, the largest defence contractor and a leader in the aerospace industry, again led in volume terms with 128.4m shares traded and rose Y30 to Y1.200.

aerospace. Mitsubishi

Among large-capital issues, Ishikawajima-Harima Indus-tries also attracted attention after a newspaper report that plans for urban redevelopment ing more specific

### Roundup

THE Asia Pacific markets ended little changed yesterday. AUSTRALIA was underpinned by foreign institutional demand for leading mining

stocks, and by the healthy rise in Tokyo. The All Ordinaries index added 5.3 to 1,523.0. unit, rose DM2.60 to DM206.40. Improved gold and base metal prices helped the gold

THE Norwegian market has been triumphant this year, going from strength to easing, leading to lower inter-est rates, says Mr Mikael Sjöw-all, analyst with Kleinwort strength on a combination of Benson. Last week's move in Sweden to allow unrestricted investment in foreign equities firm oil prices, favourable economic news and a shift in offi-cial attitude towards equity was further grist to the Nor-wegian mill as equities rose on the anticipated influx of funds The accompanying table, the first in a weekly series, shows that Norway has been the best performer this year among the countries covered by the FT-Actuaries World Indices.

from next door. Finland's strong rise last week was also attributable to the Swedish liberalisation. The weakest market in Europe, both last week and since the start of the year, has been West Germany. After an extremely buoyant beginning to 1989, the enthusiasm for German stocks has evaporated amid worries about the D-Mark's weakness against the dollar, expectations of higher interest rates – duly rewarded last week – and anxiety about a deterioration in earnings for

the second strongest market in Europe behind Finland. Norwegian equities have been helped by the abolition of the share turnover tax at the a unternation in canning the motor group Daimler. South Africa has made up some ground after a dismal performance in 1998 and turns start of the year. Investors have also been allowed to increase the amounts they put out to have been the world's Higher oil prices have improved the picture on the trade balance, while inflation and consumption have been second strongest market both last week and since the start of the year. It has been helped by institutions moving some of

their large cash holdings back into equities, by a recovery in the buillion price and by a slight firming in the financial rand, through which foreign transactions are carried out. The rains have also been better this year, helping the impor-tant agricultural account.

Norway stakes out a place at the summit

While last week saw falls in only five of the 24 markets cov-ered, the overall World Index ended in negative territory. This is because Japan, with a 45 per cent weighting in the global market capitalisation, finished the week down 22 per cent. The Japanese market was hit last week by worries over the weaker yen, higher oil prices and a possible rise in global interest rates. The mar-ket's rise to new highs the pre-vious week also instilled a note of caution.

Hong Kong managed further small gains last week, but the powerful raily at the start of the year showed signs of petering out amid cantion about interest rates and the Government's latest land anction

MARKET	S IN P	ERSPE	TIVE	
		% change	le sterling	ter seguration of
· · · · · · · · · · · · · · · · · · ·	1 Week	4 Weaks	1 Year	, then at /2
Austria	+2.11	+0.66	+7.27	+1.87
Belgium	-0.05	+ 1.05	+29.19	+ 1.58
Denmark	+1.23	+3.39	+41.66	+ 3.23
Finland	+5.85	+4.35	+ 20.67	
France	+0.28		+ 56.65	+ 3.53
West Germany	-1.87	-1.02	+21.04	-1.15
Ireland	+3.55	+2,91	+20.05	+2.51
Italy	+2.40	+2,39	+ 19.39	+2.95
Netherlands	+1.28	+4.55	+ 19.99	+2.79
Norway	+4.06	+ 15.93	+54.04	+16.08
Spein	+ 1.69	+4.12	+11.35	+3.01
Sweden	+0.07	+3.00	+ 42_14	+7.96
Switzerland	-1.74	+1.74	-0.62	+0.55
	+2.88	+8.09	+9.18	+6.79
EUROPE	+1.32	+4.82	+17.48	+3.94
Australia	+1.06	+5.73	+ 51.68	+6.67
Hong Kong	+2.65	+11.48	+31.83	+10.05
Japan	-2.20	+2.62	+36.32	+247
Malavsia	+0.10	+6.77	+26.59	+6.95
New Zealand	+0.40	+7.69	-6.97	+7.64
Singapore	0.05	+10.15	+ 28,12	+8.84
Canada	+3.39	+9.05	T 22. 10	+8.71
USA	+1.57	+4.83	+ 18.67	+5.34
Mexico	+1.30	-2.17	+42.22	+ 1.84
South Africa	+ 5.65	+11.02	-3.22	+ 10.45
WORLD INDEX	-0.14	+4.02	+25.27	+3.91
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# Scandinavia takes profit-taking in its stride

LEADING bourses had a LEADING bourses had a sombre start to the week, with volumes lower and prices weak or little changed. Scandinavia held up well amid profit-tak-ing, however, writes Our Mar-kets Staff. FRANKFUET was unable to shake off its worries over

shake off its worries over Daimler and shares closed generally down with some excep-

tions, notably in the steel and engineering sectors. The FAZ index was off 5.73 at 551.21 while the DAX reflected a partial late recovery, ending off 4.93 at 1,318.21, in modest volume of DM3.5bn. Daimler fell DM13 to DM679, compounding a DM18 drop on Friday, amid worries about its earnings prospects for this year and next and concern that a mooted rights issue may have to be large in order to finance the group's purchase of MBB, the aerospace company. Krupp Stahl was a feature, jumping DM28, or 15 per cent, to DM210 on a magazine report

that the chief executive of Deutsche Bank would take over as head of Krupp's super-visory board. Krupp and Deut-sche Bank declined to comment on the report, which fuelled takeover speculation. Thyssen, boosted by record results from its specialty steel

session, with 320,500 shares traded, rising FF12.40 to FF7138.90. The company's good fundamentals are still feeding through into the price. Construction stock Maisons Phenix was another busy issue, adding FF18.70 to FF185.80.

FFr5 to FFr437. Cerus was requoted after its suspension for its merger with Dumenil-Leblé, closing up FFr9.10 at

month and by speculation that the Government would intro-duce a capital gains tax soon rather than towards the end of

The Comit index lost 8.73 to 604.19 in thin volume, possibly below L100bn, compared with Friday's L200bn.

Fiat shed L200 to L9,950 while retailer Standa dropped L950 to L22,050 for a two-day loss of 7 per cent after Mr Silvio Berlusconi said last week

he did not intend to take the company private. Publisher Mondadori jumped L1,350, or 6 per cent, to L24,100.

STOCKHOLM took a hreather after last week's all-time highs and closed little dropped NKr2 to NKr44, and its free B shares NKrS to NKr46 before today's results, which are expected to show the comchanged, with the Affärs-väriden General index off 0.1 at pany's first ever annual loss. HELSINKI benefited from

"Most of the brokers are focusing attention on their new-found ability to invest abroad," said one salesman. Volnmes were low, at SKr274m.

Some blue chips were still in demand though, and Skandia was heavily traded, adding SKr3 to SKr203. Atlas Copco The Unitas all share index added 2.9 to 746.8. Pohjola was quoted at FM95.50, up FM2.50, and later in London rose to FM96. Union also found SKr3, closing at Bank of Finland rose SKr294

OSLO began the week on a positive note, holding its ground in the face of inevitable FM30.60 from FM30, and in London was later at FM81.75. the higher-than-expected rise in December inflation and conprofit-taking after the increases seen last week.

Volumes were lower than in comitant worries over possible the hectic trading seen on Thursday and Friday, falling to interest rate increases. The general index lost 3.84 to NKr370m, about half that of the previous session. The all 278.16. the previous ses The inflation figure, which share index rose 1.48 to 396.54. came out late on Friday,

Lower oll prices prompted investors to take profits in that sector, and Saga Petroleum fell NKr1.50 to Nkr116 while Norsk Hydro lost NKr1 to NKr142.50. Norsk Data voting A shares

MADRID was knocked by

showed a rise of 0.5 per cent, taking the anoual figure to 5.8 per cent — well shows the Gor-ernment's original target. ZURICH was cramped by low volumes, closing shubit unchanged amid cention bred by recent volatility in f exchange markets. The Cooli Suisse index eased 0.1 to 55.3

AMSTERDAM was led higher by Unilever and Royal Dutch, with the CBS Middingy Sweden's liberalisation, with index adding 0.5 to 168,3 in brokere reporting strong demand for select blue chipsafter Friday's busy session.

uniet trading. Unilever and Royal Dutch, accounting for more than half of market capitalisation, rose Fi 1 to FI 128.40 and 80 cents to F1 124.60 respectively. Their advance over the past 10 days is the first time in several months that they have outper-formed the market for a sustained spell, said one analyst: He added that Amsterdam showed unusual resilience to a weaker dollar yesterday and behaved "much more like a real stock market with shares tising and falling for individual reasons rather than moving together."

Elf Aquitaine, forecasting sharply higher consolidated net profits for 1988, put on 1,045.3.

FFr465.10. MILAN was hit by weeke news that the balance of pay-ments deficit had widened last

the year as expected.

sessions, gained 162.50 to finish the day at a high of 31,332.88. Volume at 1.02bn shares was

robust, particularly for a Monday. The Topix index of all listed shares gained 14.63 to 2,440.35 and in London the ISE/ Nikkei 50 index rose 2.47 to 1.978.96

Last week the weak yen weak, higher interest rates and oil prices were the main fac-tors behind the cautious mood, so investors were quick to react to an improvement in all those areas.

"The demand and supply bal-ance is still very good," said Mr Makoto Matsuzaki at Gold-man Sachs, the US securities firm. Demand from individual investors is strong and there are a number of new invest-ment trust funds being offered at the end of the week. None the less there continues to be a cautious undertone as concern over the dollar, interest rates and oil prices is still in the air.

The improved environment gave investors an opportunity to take another look at the themes that have led the mar-ket recently, including defence

and realistic. The group owns sector reach its highest level considerable property along Tokyo Bay, a prime area for urban redevelopment. The stock gained Y30 to Y1,160. The government's decision since November 30, putting in a rise of 34.1 to 1,495.4. Corporate news was plentiful. Turnover was moderate, at 96m shares worth A\$168m, as

to start work next year on three new bullet train lines has focused attention on constructhe liquidation of New Zealand's Equiticorp group contin-ued to weigh on sentiment. Elders IXL gained 5 cents to A\$2.92 with 8.1m shares traded on speculation it would emerge from the Equilicorp liquidation tion companies which stand to benefit. Sato Kogyo, which spe-cialises in tunnel construction, advanced Y50 to Y1,210. Utilities, which had fallen for several sessions, rebounded with NZ Steel, which has escaped receivership. Among after dropping enbstantially from their previous highs. Kan-sai Electric Power recovered

banking stocks, ANZ gained 2 cents to A\$5.40 after assuring investors its exposure to Equi-Y160 to Y5,290 and Tokyo Elec-tric Power Y80 to Y7,180. Japan Line, the third most ticorp was secure. The bank's options expire tomorrow. SINGAPORE closed steady,

actively traded issue with \$1.5m shares, lost Y23 to Y245. with the Straits Times indus-trial index np just 0.69 at 1,096.00. Turnover increased to It had risen on Friday after 46.5m shares from 38.2m on Friday

news that the Industrial Bank of Japan would help support payment of its debts. Investors in Osaka chose domestic demand related HONG KONG was also little changed at the end of a session punctuated by profit-taking. Volume was surprisingly issues and the OSE average finished up 120.51 at 29,450.34. strong given uncertainty before tomorrow's land auc-tion, which will indicate the Turnover at 100m was moder-ately lower than the 104.8m traded on Friday. state of property prices.

Among other strong per-formers, IVG, the property management group, jumped DM30, or 10 per cent, to DM325 on speculation that Deutsche Bank's research subsidiary would publish a study suggesting the company had a very high property value per share. PARIS had a quiet end to the monthly account, with book-squaring the order of the day. Investors are not nearly as bullish about the new account as the last, said one analyst. The rise in hank lending rates was a minus for the mar-ket, and the CAC General index opened off 1.2 at 440.1, while the OMF 50 index gave up 2.05 to 456.08.

Moulinex had another active

### **SOUTH AFRICA**

2

**GOLD** issues closed mostly firmer in response to the stronger bullion price but gains were modest because of a sharp rally by the financial rand.

Vaal Reefs gained R6 to R289 and Freegold rose 75 cents to R30.25 but Randfontein eased R3 to R232.

## FT-ACTUARIES WORLD INDICES

Jointly complied by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzle in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		MOND	Y JANUARY	23 1989		FRID	Y JANUARY	20 1989	DOLLAR INDEX			
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Oiv. Yield	US Dollar Index	Pound Sterilag Jadex	Local Currency index	1968/89 High	1988/89 Low	Year ago (approx)	
Australia (90) Austria (1,8) Beiglum 163) Canada (126) Dennark (39) Finland (26) France (131) West Germany (102) Hong Kong (46) Ireland (18) Ireland (18) Malaysia (36) Malaysia (36) Metherland (38) Netherland (38) Netherland (38) Netherland (38) Netherland (38) Netherland (38) Netherland (38) Netherland (38) South Africa (60) South Africa (60) South Africa (60) Swetker (35) Swetker (35) Swetker (35) Swetker (35)	13247 157.81 133.46 116.07 85.08 120.03 133.69 84.35 193.75 150.25 163.43 114.88 69.92 159.37 159.37 159.37 159.37 159.37 159.37 159.37 159.37	5447,2733,243,0147,743,585,277	126,60 80,60 111,98 111,74 131,93 111,56 97,03 77,13 100,34 111,76 70,51 161,97 125,60 136,49 98,45 133,23 121,58 103,93 124,17 122,74 64,91 118,89 96,77	114,98 92.11 127.85 114.01 153.09 119.45 113.93 61.30 120.17 129.25 84.85 125.19 408.74 108.80 59.63 144.54 105.54 128.55 119.42 105.54 128.55 128.55 119.42 105.54 128.55 129.55 128.55 128.55 129.55 128.55 129.55 128.55 129.55 128.55 129.55 128.55 129.55 128.55 129.55 128.55 129.55 128.55 129.55 128.55 129.55 129.55 128.55 129.55 128.55 129.55	4.67 2.67 3.93 1.98 1.485 2.32 4.54 4.54 4.54 4.54 4.54 4.55 4.55 4.5	150.68 95.07 133.37 158.10 152.54 116.43 85.38 120.28 131.80 85.43 191.84 150.04 144.12 114.04 71.13 158.79 133.11 126.17 149.68 146.12 76.75 141.27	126.32 79.70 111.81 111.85 132.54 111.11 71.58 100.84 110.49 71.62 125.78 125.78 125.78 135.77 125.64 95.77 95.64 95.64 95.77	114.70 91.30 127.62 114.77 153.96 118.66 114.70 81.83 120.45 127.85 86.19 155.52 157.41 404.91 195.55 144.62 159.85 144.62 199.85 144.62 105.07 130.12 136.11 74.58 118.43 116.55	152.31 100.00 139.89 133.42 161.60 139.83 117.51 90.40 120.91 144.25 86.88 197.43 154.17 182.24 114.88 84.05 159.67 135.89 139.07 146.477 86.75 142.22 116.68	91.16 83.72 99.14 107.06 1111.42 106.76 72.77 67.78 44.90 104.60 62.99 133.61 107.83 96.23 98.55 98.55 97.99 98.26 130.73 98.26 130.73 98.26 99.19	100.39 89.15 104.08 109.50 112.33 109.71 74.56 69.50 92.43 112.90 70.11 147.02 119.87 124.96 76.18 103.91 105.57 130.46 136.60 104.65 77.47 129.01 102.91	
Europe (1007) Nordic (126) Pactfic Basin (678) Euro-Pacific (1685) North America (696) Pacific Ex. Japan (222) World Ex. US (1884) World Ex. US (1884) World Ex. Japan (1998) World Ex. Japan (1998) The World Index (2454)	116.78 143.04 188.96 160.06 116.67 100.88 131.55 158.75 142.25 142.35 117.45	4397771172939 54555499555 545559995555555555555555	97.62 119.58 157.% 133.81 97.53 84.33 109.97 132.71 118.92 119.00 98.18 118.90	105.14 129.84 153.19 154.13 115.69 96.76 1111.06 133.31 128.28 127.53 111.99	3.59 1.97 0.70 1.56 3.59 2.82 4.41 1.63 1.99 1.99 3.64 2.22	116.52 142.66 187.18 158.90 117.46 101.02 131.36 157.69 141.93 141.95 117.83	97.68 119.60 156.92 133.21 98.47 84.69 110.12 132.20 118.98 119.00 98.78	105.24 129.93 152.26 133.60 116.48 97.23 111.00 132.82 128.25 127.46 112.46	116.78 192.26 161.61 117.55 102.91 131.55 160.10 143.47 143.13 117.83	97.01 130.81 120.36 99.78 80.27 87.51 120.26 111.77 1113.26 100.00 113.37	99.19 143.08 125.54 103.26 80.73 95.52 125.05 115.25 116.37 101.82	

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US S Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US S Index), 114.42 (Pound Sterling) and 123.18 (Local). Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987

# Perhaps the best view of İzmir Bay!



## Planning to visit Turkey?

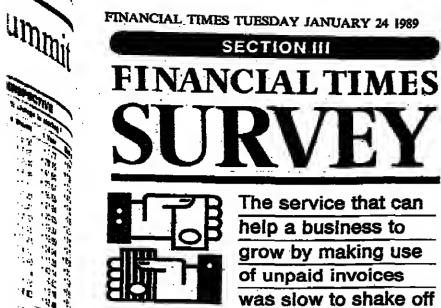
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 The service that can help a business to grow by making use of unpaid invoices was slow to shake off

customer resistance, writes Charles Batchelor. But now its use is expanding, and the amount of cash advanced by factors to UK clients rose by a third during 1988.

## Out of the cupboard

FACTORING HAS flourished both in Britain and worldwide during the 1980s. It is perhaps not surprising that demand for a service which can, at short a service which can, at short notice, pay a businessman up to 80 per cent of the value of his outstanding sales invoices should have appanded during a time of strong economic growth.

And yet, despite the factor-ing industry's improving fortunes, the reputation acquired by factors as lenders of last resort to failing companies per-sists. Many businessmen resist the idea of employing a factor to handle their invoices, for fear of what their customers might think. Others use the service on a confidential basis,

so their customers never know a factor is involved. Factoring has taken longer than most financing innovations - hire pur-chase or the credit card - to shake off this customer resistance.

Growth has also been hampered by the very name factor-ing, which means little to most people ontside the industry people ontside the industry other than vague connections with trade. To improve the industry's image, the Associa-tion of British Factors, which represents 10 of the largest companies, is boosting its promotional budget and adopt-ing a higher profile.

small businesses in Britan wait an average of 75 days from the date of invoice for payment, and no less than £57bn of unpaid invoices are outstanding at any time, according to one estimate.

Releasing just some of this money would ease a major con-straint on the country's small business sector. The worldwide factoring

imports turned many East Coast textile agents effectively into factors for American suppliers.

Factoring in the US has remained largely based on the textile trade, but in the 1960s the technique was imported into Britain and then into the

members rose by 25 per cent to £8.84bn in 1988, while the amount of cash advanced to toring market after the US and litaly, now has some 30 factor-ing companies servicing clients clients at the year end rose by 33 per cent to 1795m. The total number of clients

VOICE

with turnover of more than £10bn in 1988. Two-thirds of them are grouped into two served by ARF members rose by 14 per cent to 5,180. They represented a wide spread of associations, The Association of British Factors (ABF) represents 10 of the the larger, genindustries, including manufacturing with 48.4 per cent, dis-tribution with 34.3 per cent, and services with 13.7 per cent. Factoring also expanded on a worldwide basis during 1988, though the most recent inter-netional former for 1997 above national figures, for 1987, show an increase of 34 per cent dur-

ing that year to \$139.8bn (£78bn), according to Factors Chain International, which links factors in 34 countries for the purpose of import and errort factoring export factoring.

FACTORIN

Factoring is being used to help finance the international trade of a growing number of countries. Factors Chain Inter-national has recently been attempting to encourage the growth of factoring in Greece, Turkey. India and Indonesia; while Griffin Factors, part of the Midland Bank Group, last August became the first UK factor to finance exports from China.

Factoring is a means of financing a company's growth by making use of an asset which banks and other providers of funds tend to overlook - the unpaid invoices the company has issued to customers. By concentrating his attention on a company's sales ledger, the factor is able to advance funds against an asset that other lenders consider too risky to

The factor can provide three related services. He can take over the client's sales ledger,

### CONTENTS **Sonat Sectoring** The factoring services es: Ba **IBS** A day in the tile of a factor The US and halv - 3

sending out invoices and mak-ing sure the bills are paid; he can provide immediate cash equivalent to up to 80 per cent of the value of his client's invoices; and be can assess credit risks and insure his cli-

main pla

ent against bad debts. The advantages to the client are that he is saved the expense and trouble of maintaining his own sales accounts department, and his salesmen do not have to cloud customer relationships by reminding customers obout previous, unpaid bills.

Even more important, the company using a factor does not have to wait for customers to pay their bills, so it has funds immediately available to finance work in progress and new orders. Finally, the credit assessment services reduces the risk of bad debts or, if the

company is insured, can elimi-nate them entirely. A major problem facing the growing company is the difficulty in raising overdraft finance from its bank to fund further growth. Once a bank has lent up to what it consid-ers prudent, the branch manager is usually unable to go any further, even if the businessman has firm orders be needs to finance. "The bank manager tells the

businessman to consolidate, to get his assets up," says Mr David Bezzant, sales director of Lombard Natwest Commercial Services. "Yet it is hard to con-solidate. It means turning away customers. The factor on the other hand says 'Go on. Expand'." The factor is able to advance

funds against invoices because, unlike the bank manager, he keeps in daily or weekly touch with the client and sees the flow of invoices and payment cheques. The banker, by contrast, may be judging his client on a balance sheet and accounts which are up to 18 months old.

The factors see their market among expanding smaller companles which do not have the strength of balance sheet to raise sufficient finances elsewhere. Typically, they seek to hack a company which has £100,000 of thrmover and upwards, and which is selling its products on short-term credit to trade customers.

Some of the larger factors set a minimum turnover figure of £250,000, because it is not worth their while to set up their systems for smaller vol-umes of business. Many factors are however ready to back

start-up companies if there is the prospect of rapid turnover growth in the first year or so. Others will provide factoring finance as part of a management buy-out.

Factors will, typically, charge a fee of between 0.5 and 3 per cent to administer a company's sales ledger, while advances against involces will carry an interest rate of 1.5 to 3 per cent above bank base rate. Sometimes a factor will pro-vide the momey more cheanly vide the money more cheaply than the banks, but he will probably make up for it in his administration fee.

The growing popularity of factoring among financial insti-tutions has increased competition and led to fears that some tion and led to lears that some factors may be cutting corners to get business. "A few years ago, if you tendered for a con-tract, you would be the only company, but now you come across all the other factors," says Ms Pat Cooper, sales director of Berisford Factors, net of SeW Berisford Factors,

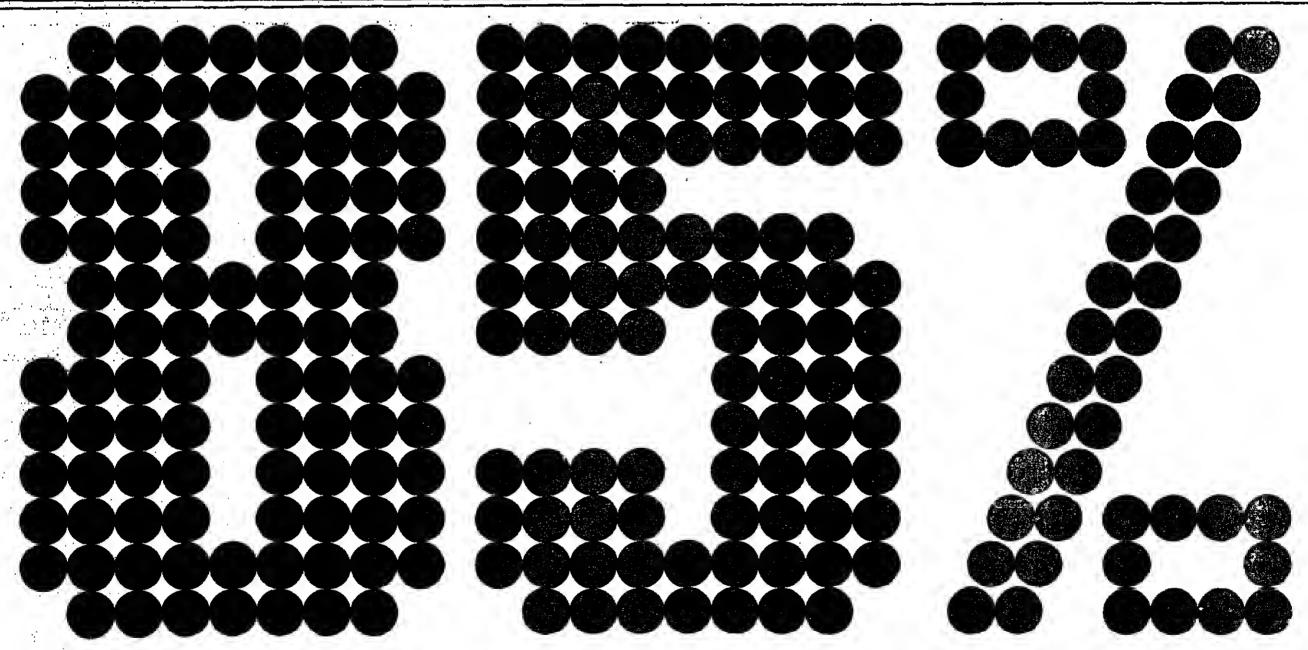
part of S&W Berisford, a food and commodities group. "Competitive pressures are leading to people taking on marginal business," says Mr Leslie Bland, managing direc-tor of Century Factors. "There is pressure on the big organisa-

is pressure on the big organisa-tions to get market share." A portlcular worry is the rapid growth of Invoice dus-counting, which simply pro-vides cash against the invoices. Since the client retains control of its sales ledger, the factor is not so close to its affairs, and there is greater conortunity for there is greater opportunity for elther maladministration or even fraud. The fraud that wor-ries the factor is that the client will create false or "fresh air" invoices, or that he will hold on to payments made by cus-tomers which should be paid

on to the factor. Those companies which offer just an invoice discounting services, without having all the sales ledger administration skills to back it up if something goes wrong, may be most vulnerable if there is a downturn, warns Mr Ben Allen, managing director of Kellock, now part of the Bank of Scot

now part of the Bank of Scot-land group. While some people fear that the factoring industry has grown too fast, others point to its unexploited potential - par-ticularly in the financing of international trade. If factoring can overcome the prejudices which remain it could become which remain, it could become as successful a method of fin-ancing business in the early

1990s as leasing was in the 1970s.



The opportunities hava never been greater. Small business lobby groups have recently highlighted the cash flow problems that late payments cause their members. Small businesses in Britain

industry in its modern form has its origins in the US textile trade of the 1890s, when the introduction of high tariffs on

rest of Europe. In the early days of factoring In the early days of factoring in the UK, too many unsound businesses were backed and the industry got a name for being a "lender of last resort". Despite the early difficulties, the present domination of the industry by the banks is lead-ing to a change in perceptions.

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Factoring does not describe one single service, but a portfolio of complementary financial services that come under a variety of confusing names, and from which clients may select one or more elements. On this page, David Waller explains the variations.

## 'Full service' for casi and help with chores

entration and se

D Optimum stock-levels can be maintained.

It is easier to predict cash-

Growth can be financed

through sales rather an injec-tion of capital from external

be concentrated on running the business and need not be

distracted by dealing with recalcitrant debtors. Sales rela-

tionships are not shattered by managers and sales staff pes-tering customers for prompt

Dayment. The company can save the cost of running its own sales

Not all companies are suit-

able for factoring; certain financial and industrial criteria

Barclays Commercial Ser-vices says that for a company

to be eligible for the full ser-vice, the business should: have a projected turnover of £200,000

or more in the next 12 months;

sell goods on normal trade

terms; have a spread of debtors so that no one debtor is respon-

sible for more than 25-40 per cent of the total outstanding

debt; have an average invoice value of more than £100.

The facilities are particularly suited to companies whose cash flow is bard hit by ineffi-cient debt collection, or are experiencing a strain on their

resources due to seasonal

which the money is to be put.

Factoring pre-payments are intended to provide working

capital, not to finance invest-ment in fixed assets.

ing is best suited to companies that supply raw materials,

components, consumer goods or other types of widgetry. Companies that supply com-plex plant and equipment,

not ideally suited to factoring

companies that use factoring are in the manufacturing or

Charges for the service are made up of two parts. There will be a service charge, which

varies according to the amount of work done in running the

sales ledger, chasing debts and providing credit protection. This will be calculated as a

percentage of of turnover,

ranging from 0.75 to 2.5 per cent of turnover. And if the company takes advances on

the back of involces received, it

pays a finance charge which is broadly in line with standard

overdraft rates

construction sectors.

in terms of industry, factor-

demand for their products. As with any type of asset finance, the institution will pay much thought to the use to

counts

THE MOST popular package is the so-called "full service". Here, the factor gives its corporate client a mix of services, which embrace both sales led-

Π

ger administration and the provision of finance raised on the back of the company's

At the core of the relationship between the factor and the client is the factor's undertaking to buy most of the company's debts as they arise dur-ing the normal course of trading. At the same time, the factor takes full administrative responsibility for running the company's sales ledger. The factor gives an immedi-

ate cash advance against the value of the involces. It takes on board the time-consuming chore of sending ont statements and chasing late payers. On top of that, the factor can provide credit protection against customer default

The mechanics are simple. As soon as goods are delivered, the company sends an invoice customer and a duplicate to its customer and a duplicate to the factor. From that time on, the factor assumes financial and administrative respon-sibility for that invoice. The company is entitled to draw cash on the nail up to 80 per cent of the face value of the

Not all companies are

suitable: certain criteria have to be met

invoice. It receives the balance when the customer finally pays sources. The company is better able to accept large orders. up - or a predetermined num-ber of days after the invoice

According to the various fac-toring firms, which have only recently started to make efforts to shrug off their poor image

or anch				IET COST	Runge of charges					
or cash chores		Finance	Credit protection	Credit	Sales ledger accounting	Collection service	Disclosed to customens	Available on export sales	Service charge (% of turnover)	Charge (Bank BR + %)
	Full factoring (non-recourse factoring)	Optional	Yes	Yes	Yes	Yes	Yes	Yes	0.5-3.5	+2.0/3.5
as "financiers of last resort", the advantages to the company are manifold. Griffin Factors,	Recourse factoring	Optional	-	Yes	Yes	Yes	Yes	Yes	0.5-3.5 (extra on <b>debts</b> over 90 daye)	+2.0/3.5
the Midland Bank arm, lists	Agency factoring	Yes	Possible	-	No	No	Yes	No	0.4-1.3	+2.0/3.5
The company can pay its	Bulk factoring	Yes	Possible	-	No	No	Yes	No	0.7-1.0	+2.0/3.5
suppliers promptly. This will enable it to tease the finest	Undisclosed factoring	Yes	Possible	No	No	No	No	No	0.2-0.7 or nil	+2.0/3.5
terms from its creditors, taking full advantage of cash dis- counts, bulk purchases and dis-	Invoice discounting	Yes	Possible	No	No	No	No	No	0.2-0.7 or nil	+2.0/3.5

By used in the US, to cover Sto

## Daily contact helps to assess the credit risk

IT MUST be one of the truisms of out justification, the factor claims business that there is no point in making a sale if the customer doesn't ents' customers puts it in a better subsequently pay up. Factors can assist in this vital area

D Providing credit assessment services. . . The factor will recommend credit limits for each individual customer, based on the factor's knowledge of thousands of companies across all business sectors. Not with-

that its daily dealings with its cliposition to assess creditworthiness than the small, expanding business.

□ Offering credit protection as well. . . For a fee, the factor will offer credit protection of up to 100 per cent of the face value of an approved invoice. This means that the factor bears the loss if the cus-tomer should default. The technical

name for this service is "non-recourse" factoring - i.e. the factor does not have recourse to its clients if an invoice ends up being worthless.

These credit services are available as part of the full service factoring package, or can be taken on board in tandem with invoice discounts. The fee forms part of the administrative charge, calculated as a percentage of

# Invoice discounting lifts off

INVOICE discounting is by far the fastest growing area of the

long terms service contracts or high value, one-off projects are factoring industry. This no-frills service is used by companies who want cash in exchange for their invoices and little else. The client main-The reason is simply that invoices for those products and services in the latter category are more open to dispute. Wid-gets are not subject to aftertains full responsibility for administering its sales ledger and chasing up slow-payers. Figures from the Association sales services and thus can eas-ily be collected by the factor Approximately 80 per cent of

of British Factors show just how popular the service has become. The volume of invoice discounting business handled by ABF members grew from £130m in 1977 to £3.06bn 10 years later, at the rate of 25 per cent a year. Barclays Commer-

cial Services predicts a 50 per cent increase in this sector in the current year. What makes it so popular? A key reason must be that customers of a company using invoice discounting need never

know that a factor is in any way involved. All that happens is that the factor provides a finance facility against sales invoices, but without any of the paraphernalia of other services such as credit manage-ment and sales administration Griffin Factors, the factoring arm of the Midland Bank, attri-

butes the popularity of the ser-

**Growth of turnover for Association members** Ebilion 8 and the second second second second second second second second second second second second second second second States and Charles and the second second second Invoice discounting 1976 1977 1978 1985 1986 1987 1979 1980 1981 1982 1983 1984 don of British Feel discounting are as follows. The basis of the relationship with the factor is agreed. The comis calculated daily in arrears. to companies of factoring ser-There is thus some incentive

pany sends out its invoices as usual, but also sends a dupli-cate to the factor. Upon receipt of this, the factor advances up to 70.80 per cent of the face value of the invoice. It is then up to the company to send out second invoices, statements, bailiffs and so forth. The customer makes payment into a separate nominated bank

Under normal circumstances, the company is liable

vices as a whole. Certainly, those companies using the nofor the company to rake the cash in as early as possible. frills service are robust com-(The charge is only applied when it takes advantage of the mercial creatures - otherwise the factor would not expose cash-up-front facility.) Factors argue that the growth in the use of involce discounting reflects a growing understanding of the benefits itself to the credit risk - and thus a far cry from the stereotyped image of the ailing com-pany turning to factors only at the last resort.

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I The company gets finance linked to the current level of business. By contrast, overdraft limits tend to be deter-mined by historical balance-

solution

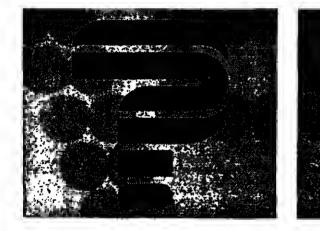
BUSINESS FINANCE

have to be met.

ledger department. Staff over-heads are minimised, as are administrative costs incurred on stationery, postage, telespace.

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sbeet ratios. Thus a conflict can arise between the erpan-sion-minded entrepreneur and the over-cautiousbank-manager. When a company is up against its overdraft limit and yet aware of sales opportuni-ties, factoring can provide a



## Competitive

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> Factoring **Invoice Discounting**



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vice to high demand for working capital from fast-growing businesses and, crucially, to the confidentiality of the ser-vice - a company need not suffer whatever residual

**Customers** need not know a factor is involved

stigma there is associated with stigma there is associated with the use of factoring. (Invoice discounting does not have to be confidential. It is possible for a company to run its own sales ledger adminis-tration, raise cash from a fac-tor on the back of an invoice, and for the company's sustom-ers to be aware of the factor's role insofar as payment will be role insofar as payment will be made direct to the factor.)

Another consideration is that the service pruvides a source of off-balance sheet finance. Under current accounting convention, there is no reason to disclose the extent to which a company has made use of the factor, with the result that key balance sheet ratios - not least gear-ing - are enhanced. No Tom, Dick or Harry of a company can avail itself of invoice discounting. Rigid cricompany can avait lisen or invoice discounting. Rigid cri-teria apply. Barclays is fairly typical insofar as it requires clients to have a minimum net worth of £50,000. They must also be deemed to operate an efficient sales ledger and credit assessment system. Turnover should be at least £500,000 and goods should be sold on nor-mal trade terms (e.g. net 30 days). It is also crucial that the company have a suppad of debt-ors so that no one customer accounts for more than 35 to 40 per ceut of debts outstanding. These criteria are stiffer than those that apply to com-panies embracing the full fac-toring service, for the simple reason that the factor itself does not take any responsibil-ity for sales ledger administra-tion or credit assessment. Thus companies using invoice dis-counting must be stronger financially and administracounting must be stronger financially and administra-tively than those which leave more in the hands of factors. The services offered by the factor are flaxible. The com-pany will be visited by a squad of professionals from the fac-toring firm who will take great pleasure in scrutinising proce-dures and assessing customer creditworthiness. Depending on what they find, they will offer the financial facility on (a) all invoices on all exceeden (a) all invoices on all customers; (b) all involces on agreed customers; and (c) selected invoices on agreed customers as and when required. The practicalities of invoice

for any debts that turn out to be uncollectable, and the factor

be uncollectable, and the factor can thus claim. In factoring jargon, the factor has "recourse" to the company for the value of the defunct debt. However, by paying extra for credit protection, the company need not be liable in the event of customer callapse. The costs are structured in same way as for full service factoring, But the administra-tive charge, at least, is lower than that for the full service, for the simple reason that there is less administration involved, Expressed as a per-centage of invoices handled, the charge will tend to be between 0.25 and 0.75 per cent of turnover.

of turnover On top of that, there is a discounting charge in line with normal overdraft rate, i.e. struck at a given percentage above base rate. The discount

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## FACTORING 3

Charles Batchelor on changes among the main players

# Early purchase may herald a shift back to service

THE NEW year has already produced another change of ownership in the factoring industry. Interestingly, after three years that have seen the banks progressively strengthen their grip on the business, a non-hanking company has made its entry into the sector. Trade Indemnity (TI), the UK credit insurance group, which earlier this month bought a half share in H&H Factors, believes factoring is a logical extension of its existing busi-ness. Credit risk management is, after all, already part of the sales ledger service offered by many factors.

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Significantly, after several years in which the fastest growth in the factoring sector has been in the provision of finance, TTs entry may herald a shift back to the service ele-ment of factoring which consists of credit assessment and the administration of invoices. Despite the apparent fit of TTs existing business with fac-toring, however, some people in the industry question whether TI will have an easy job in adapting to its new envi-ronment. It may not find its credit insurance customers that ready to transfer their factoring business to H&H, while other factors may move credit insurance business they used to place with TI away from their place with TI away from their new rival. TI is not the only non-bank-

ing company to come into fac-toring recently, but it has been the bankers who, throughout the late 1980s, have come to dominate the sector even more comprehensively than they did

before. The clearest indication of the bankers' interest came with the return of Barclays Bank in 1987 with the acquisition of a 75 per cent stake in Arbuthnot Factors, now renamed Barclays **Commercial Services.** 

Barclays had pulled out of factoring in 1983 after making losses, but had found its position as the sole clearing bank without a factoring subsidiary an uncomfortable one. "They had to put their fac-

toring business out elsewhere, and that gave the other banks a toehold in their customers," said Mr Bernard Jenkins, who was involved in the founding of Arbuthnot and is now execu-tive chairman of Barclays Commercial Service. "They

Analysis of Association members' clients			
Turnov Oct 1988	er (£000) Number	*	
0-250	1,554	27.9	
251 - 500	1,109	19.9	
501-1,000	1,156	20.7	
1.001-2.000	899	16.1	
2.001-5.000	577	10.3	
5,001-	284	5.1	
	5,579		
Types of hosiness:			

Manufacturing 2,584 Construction Distribution 1.3 1,912 34.3 239 4.3 763 13.7 Transport Services Source: Association of British Factors

should have restructured five years ago and battled on. The amounts involved in their

terms were very small." Barclays' experience high-lights the paradox of the big banks' involvement in factoring a business which, because it funds current assets rather than securable fixed assets, goes against the rules of con-

ventional banking. It is precisely the customers who have been turned down by their bank manager for a loan or a larger overdraft who call in a factor. And, logical though it may be for the banks to fill this gap in their service by buying factors, the relations are not always easy.

Head office may take a strategic decision to go into factor-

### MEMBERS OF THE ASSOCIATION OF

MEMBERS OF THE ABSOCIATION OF BRITISH FACTORS Aiset Lamite Factors. HC: Benbury, Oxon, Starsbolder: Loyde Bash 100 per cont. Bart Sumsex, Barclays Bash 150 per cont. Bart Sumsex, Barclays Bash 150 per cont. Yorkshire Bash 25 per cont. Yorkshire Bash 25 per cont. Management 6 per cant. Gratter Fectors, Nevelbing, Sumset, Midland Bash 101 per cont. Bank 100 per cent. Hell Factors. Croydon, Burrey. Heller (Overseen) 50 per cent, Trade Indonnity

Neuronal Constant, Trade Indounity 50 per cent. Interretional Factors. Brighton, Susser, Londowi Martilant Commercial Barricos, Febhuan, Middloot, National Westnaloster Back Group 700 per cent. Stoutent Facilies. Croydon, The Royal Bank of Stoutent Group 100 per cent. Backaffy Facilies Entones Finance (Europe). Bicarly Facilies Entones Finance (Europe). Bicarly Facilies Entones Finance (Europe).

per cent. UDT Commercial Pleases, Richmond, Surray. TSB Group 100 per cent.

ASE Group for per card, second for the ASSOCIATION OF severe FACTORS Angel Finance, Leicenter, Bibby Financial Sevical, Liverport, Cillion Mercantin Company, London; Ganic Invoice Factors, Glassgow; GT Invoice Factors, Justicidge Weite, Kont; Hogg-Poynton Factors, Stockport, Cheathirs, Kintyre Samarikes, Campbellows, Argyl: London Weil Factors, Charleywood, Herts; Uster Pectors, Bellast,

ing, but persuading branch a UK clearing or large foreign managers to recommend the bank is Century Factors, which service is another matter. "The is 35 per cent owned by Close banks don't understand factor-Brothers, a merchant banking

ing," says one former bank manager turned factoring com-pany director, who recalls his own early suspicions of factorgroup. The advantage to a factor of the backing of a large bank is clear. Factoring requires large sums of ready cash, which only Bankers still don't believe the largest financial groups can provide. If this financial backing is not available the factor is particularly vulnera-ble to bad debts and fraud, or "Hankers still don't believe in factoring," says Mr Ben Allen, managing director of Kellock, since 1987, a 95 per cent subsidiary of the Bank of Scotland. "A bank manager will not recommend it to his best clients since he wants to help them himself." Not all acquisitions of facmay simply not be able to keep up with the growth of his cli-ents and lose them to larger

ents and lose them to larger rivals. But factoring is not just for the bankers. S&W Berisford, the food and commodities group, decided to make factor-ing part of its expansion into financial services with the launch last April of Berisford Factors. The new company has taken on some 25 clients in is first eight months and makes a virtue of its independence from Not all acquisitions of factors have gone smoothly. In several earlier instances the takeover has been followed by defections by senior executives and by rather clumsy attempts by the banks to slot their new acquisitions into their corporate structures. But these problems have not prevented the banks from

virtue of its independence from any banking group. "A lot of smaller companies increasing their presence. And the factors themselves have been only too ready to accept the strong financial backing

like to deal with a small organ-isation which they feel they can identify with," says Ms Pat Cooper, sales director. Some companies also feel they want ne strong manchal backing provided hy the banks. Apart from Barclays, the past three years have seen The Royal Bank of Scotland set up RoyScot Factors in 1986, while in 1987 TSB bought First National Bank of Borthal's for to diversify their sources of finance and do not want to draw their factoring funds from the same bank which pro-vides them with loans and National Bank of Boston's facoverdrafts.

toring arm, since renamed UDT Commercial Finance. The influx of new partici-Most of the large factoring organisations are now con-trolled by large banks. Lloyds is the largest player, owning both Alex Lawrie Factors and pants in recent years has made for competitive conditions in the factoring market. Whether all will survive the next of the industry's periodic shake-outs remains to be seen. International Factors, National Westminster Bank owns Lom-

Some people in the industry believe that ultimately the bard Natwest Commercial Services, known formerly as independents will be squeezed out, as the banks channel more Credit Factoring International, while Midland Bank has Grifof the leads coming through their branch networks to their own factoring subsidiaries. "This will leave the indepen-

fin Factors. Security Pacific, the US banking group, bought Anglo Factoring Services – now renamed Security Pacific dents scrabhling for the smaller deals and losing out as Finance (Europe) - at the end of 1966. The bank had previ-ously financed corporate fixed their clients grow," says Mr Jenkins of Barckays Commer-cial Services. "I think the industry will harden into assets and felt it a logical extension to finance the cur-rent asset part of the balance camps grouped around the big banks.

sheet too, says Mr Colin Cook-He may be right. But, as the son, vice president. The TI purchase of a stake in factoring industry's recent past shows, the banks can make mistakes. The independents H&H Factors means ownership is now shared jointly with Heller Overseas (itself part of can be expected to put up a tough fight for their niche in Fuji Bank). The only major fac-toring company not owned by the business.

1.5

payers, engineers are good' IT IS a Wednesday morning in the offices of Century Factors, at Newbury in Berkshire, and the three directors who make up today's credits committee are starting to look at an appli-cation from a Midlands engineering company for an invoice discounting service. In another office, clerks are

starting to input information from several hundred clients' invoices into Century's com puter system. Elsewhere in the building, teams of credit con-trollers are on the phone, liais-ing with clients on their sales ledger problems and chasing up clients' customers who have been slow in paying their bills.

"Pizza restaurants are very bad, hut engineering companies are good payers at the moment," says Mr Lawrence Newsome, an assistant direc-

Similar routines to that at Century are being followed at other British factoring companies. Century has a staff of 50 dealing with 142 clients with a combined turnover of around £135m. It is one of the smaller members of the Association of British Factors, hnt its operations are typical of its larger competitors.

larger competitors. Apart from the engineering company that has its applica-tion under scrutiny, two exist-ing clients are being reviewed; while offers that have been made to three more prospec-tive clients are being consid-ered by the credits committee. Growing competition in the factoring sector may have increased pressures on some factors to take on business they might otherwise have turned down, but it is the job of the credits committee to make sure that the companies for which Century provides factoring or invoice discount-ing services are sound proposi-

tions. The committee has a sixpage report on the engineering company, drawn up by one of Century's new business man-agers. It lists the company's trading history and details of its management, and looks at its record of managing its sales

ledger. The company has turned to a factor because, with plans to broaden its product range and increase turnover to around

against the limits of its bank overdraft. Century has suggested it take up what it calls its "agency invoice dis-counting" service. The factor would provide cash against invoice though the client invoices, though the client would continue to handle its own sales ledger. Unlike straightforward invoice dis-counting, however, agency discounting requires the client to disclose on its invoices that it is using a factor. It must stamp or print on every invoice as notice that the invoice has been assigned to Century. Agency discounting, explains Mr Leslie Bland, man-

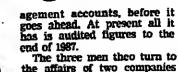
aging director, is offered to cli-ents who do not have a strong enough balance sheet to justify undisclosed invoice discounting, hut which do have the systems to handle their own sales ledger. The disclosure requirement means if anything goes wrong customets will not be surprised if the factor inter-venes to collect its money.

Mr Bland and his team are comforted by the fact that the engineering company has been recommended by its auditor, but Mr Sandy MacGill, sales and marketing director, is concerned that the company only has an issued share capital of £100.

VAT, and an interest charge of 2.75 per cent above base rate A bigger worry is the fact that the company does more than half its business with one on the money it advances. In weighing up these terms, the three men have to consider large customer. Even if that customer is hlue-chip and unlikely to go bust, the factor is concerned that there is whether the factoring subsid-iary of its prospective client's clearing bank will make a always the possibility of a discounter offer. It is possible, but they consider it unlikely, pute over a delivery which could lead to its refusing paybecause the bank itself is cu ment.

rently lending at more than 3 per cent above base. For the hank's factoring arm to offer If a client does more than 40 per cent of its business with a single customer, Century will not finance the excess invoices. finance mucb more cheaply than that would embarrass the The engineering company has started ont with nearly £200,000 of unpaid invoices that bank, they decide. Before the deal can go through, though, Century will it wants to finance. After tak-ing away about £25,000, because it represents sales to have to get the client's bank to waive its charge over the com-pany's sales ledger. This is northe large customer above the 40 per cent limit, and a further £25,000 of debt which is more mally a formality, but It can take up to three weeks and may delay the transaction. The than three months overdue bank may also want to cut its overdraft limit if it feels its own security has been reduced. The credits committee also wants to see the latest audited (and therefore not covered by the proposed agreement), the company is left with about £150,0000 of invoices which are allowable by the factor.

increase turnover to around 5800,000, it is likely to run up
Century, like other factors, annual accounts from the com-will pay up to 80 per cent of pany, as well as monthly man-



the affairs of two companies that are existing clients for the full factoring service. These cli-ents are reviewed regularly to make sure nothing is going wrong. One of the companies has recorded a sizable loss. Mr Bland and his team put this down to the owner's taking too much out of the business. They say they are not induly wor-ricd, however, because the business is basically sound and is forecasting a return to near break-even point in the current

"Taking a selfisb view, if he stopped trading we can get the debts in," says Mr Bland. Sunce Century provides a full factor-ing service to this company, and therefore handles all of its invoices, it has a good idea of what is going on. Mr Bland acknowledges that he would not be so happy, though if he were invoice discounting this client and therefore not seeing

his invoices on a daily basis. Even after the credits com-mittee has broken up, the daily business of administering ch ent accounts goes on. Incoming invoices from clients and pay-ments from their customers are tallied on a daily basis, so that Century knows how much cash is available under the limits agreed between factor and client

The factor telephones the clients on an agreed day cacb week (more frequently if agreed) and lets him know how much cash he may take up. Some clients take up their maximum entitlement, others just part, while those that are flush with cash may leave it on account with Century. Computers have meant that

shuffling all this paper and making the calculations can be a very profitable business. But tbe factors, understandably, are keen to point out that the client gains, too.

"One company gets our service for £12,500," says Mr Bland. "That may seem a lot, but it is less than the costs the company would incur employing a credit controller and handling its own invoices."



the value of these involces

which means the company

could receive £120.000 on day

one of its contract. To allow for

subsequent sales growth at this client, the credits commit-

tee sets a limit of £200,000 on

the money it is prepared to

The committee finally agrees to make an offer to the engi-neer consisting of a service

charge of 0.7 per cent, with a

monthly minimum of £350, a

advance against invoices.

A DAY IN THE LIFE OF A FACTOR 'Pizza restaurants are slow

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Experts foresee continued rapid increases in the volume of international trade financed by factoring, says Peter Montagnon

## The service's worldwide network is spreading pean exports to the US to be

INTERNATIONAL factoring - or the use of factoring to finance trade - is one of the fastest growing areas of the market, offering as it does a means of both credit insurance and debt collection that appeals particularly to smaller exporters.

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According to Factors Chain Inter-national, the largest international umbrella organisation of factoring companies, the volume of international trade thet was financed in this way during 1987 amounted to some \$8.7bn - more than double the total posted just two years ear-

Factoring experts believe there is scope for a continued further rapid growth as factoring services are introduced into more and more countries. Mr Jeroen Kohnstamm, secretary general of Factors Chain International, says there has recently been a particular break-through in the Far East.

European and US importers of products manufactured in that part of the world have become increas-ingly reluctant to use the tradi-tional letter of credit method for financing such transactions, because they do not wish to the up their credit capacity in this way. As a result, Asian exporters have turned to factoring as a means of

THREE YEARS ago, the management of Dunlop's DIY division was embroiled in a buy-out of the vinyl and carpet floorcoverings business from parent company BTR.

The deal was completed in April 1986, with a new unquoted company, Baseguide, buying the division and its prestigious brand names under the Floormaker banner, for

abont £1.5m. Alan Wilson, Dunlop DIY's divisional director, now Baseguide's managing director, realised at an early stage that factoring might offer an easy way round the special prob-lems of lifting a whole division from a large conglomerate like

BTR. "We had integrated divisional systems, accounts and staff. I didn't look at it as a traditional MBO, I looked at it as a start-up operation," he abont the sales ledger and basic debt collection; Raise finance at short notice

says. Baseguide, which operates from Sutton Coldfield in the West Midlands, turned to Peat Marwick in Birmingham for manufactar in birmingham for financial advice. They in turn recommended Lloyds as Base-guide's clearing bank, and Lloyds suggested that the buyout team consider factoring, which would help management

financing their trade. Industry executives say that growth in business has been partic-ularly strong out of Japan, where all the major city banks now have factoring offshoots.

For Japanese companies factoring offers a further attraction, in that the export insurance division of the Ministry of International Trade and Industry has become heavily loss-making. Its premiums have been rising and red-tape surrounding export credit insurance as an alternative security for exporters has been increa

From there, however, growth in factoring business is spreading out-wards into other newly industrialissouth Korea where banks have recently been allowed to enter the factoring market. Though Korea does have an export credit insur-ance agency, it tends to operate more at the longer-term, heavy goods end of the export credit mar-

It is hard to compare interna-tional factoring directly with other forms of short-term trade finance, because of the peculiar nature of the services that factoring companies offer. Essentially this is credit insurance, financing over periods of up to six months and debt collection

against working capital

Buy the division out without

having to rely on equity from external investors.

Paul Beveridge was the IF

client manager responsible for Baseguide at the time of the

bny-out, and his team still

requirements; and



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Mr Jeroen Kohnstemm

### all rolled into one.

CASE STUDY: BASEGUIDE

Normally, international factoring works in the following way. An exporter awards the contract for factoring finance to an export factor in his own country, who then becomes responsible for paying him for the goods less a fee for the ser-vice provided. The export factor works with an import factor in the importing country, who is responsi-ble for checking the credit standing

of the importer and collecting the receivables from him. Thus the development

Thus the development of interna-tional factoring depends on the creation of a network of correspondent relationship between factoring concerns in countries around the world. This network is slowly becoming denser, though there are gaps in certain regions such as Cen-tral Africa, where the basic finan-cial infrastructure is still underdeveloped, and in Latin America and Kastern Europe where factoring is also beginning to develop more rapidly.

In regions where the business has become well-established, however, factoring companies are abla to offer an on-the-spot credit asse ment which can make small exporters unfamiliar with the financial standing of their customers more secure. Their role as debt collector means they can constantly relay market intelligence about the credit standing of importers, which can also help smaller exporters.

Because of the nature of the business, factoring is best suited to exports of items such as consumer goods sold on short term credit peri-ods. Factoring companies rely on payment performance as a yardstick for jndging credit rating, which means they do not like to

Mr Paul Gee

take risks more than six months out into the future. They also like to spread their risks, so that individ-ual transactions do not normally exceed \$100,000.

This is why factoring appeals particularly to smaller inexperienced exporters. Mr Paul Gee, marketing director of Griffin Factors, an offshoot of the UK's Midland Bank which reckons that international business accounts for some 10 per

cent of its turnover, says that it is increasingly being used by UK com-panies putting their toe in the Euro-pean water ahead of the advent of the single European market in 1992.

"The benefit that factoring offers them is that they can do that on open account securely," he says. Factoring concerns thus look likely to feature in the competition

for trade finance business in Europe after 1992, which is also expected to see some cut-throat compatition between traditional export credit insurers. Mr Gee says, however, that he does not expect this to lead to the creation of excess capacity, because factoring turnover is grow-ing so rapidly both domestically and internationally.

There are some limitations on the business, however, which go beyond the questions of size of transaction and maturity of credit terms. One area where international factoring is not growing particularly fast is in ransactions betwean the US and Europe. Factoring as a technique origi-

nated in the US, but its factoring companies tend to be highly specialised by sector, concentrating par-ticularly on the textile trade. This means there is less scope for Euro-

financed through factoring. Moremanced through factoring. More-over European exporters appear to feel more confident about their own ability to judge the credit standing of their US customers and to collect debts from them than is the case with customers in other parts of the world world.

Trade in the opposite direction is dominated by heavy goods, such as aircraft, to which factoring techniques do not apply, so once again there are fewer business opportunities for factoring concerns.

Last year an international convention was signed in Ottawa, which will maka it harder for importers in individual countries to prohibit their suppliers from assign-ing the proceeds of involces to fac-toring companies.

toring companies. This convention, which has yet to be ratified by the governments of leading industrial countries, is expected to provide a further boost to international factoring. Though the market on the market has been its impact on the market has been limited so far, Mr Kohnstamm, of Factors Chain International, says it has already beloed by drawing attention to the market: "It has given an extra dimension to the acceptability of factoring."

CASE STUDY: IBS 'A bit like Christmas Century got the business. The terms of the deal were that IBS would get 70 per cent of monies due the day after invoices were submitted, and "IF PEOPLE knew about

factoring and were free to use it, I would think that 80 per cent of small businesses would take it up," says Ann Watson who, with her husband Laurie, the rest when the client's founded Berkshire-based Inte-grated Broadband Services cheque had been cleared. Cen-tury would retain 0.82 per cent of the base sales invoices, and almost four years ago.

Mrs Watson is a factoring fan. She believes that IBS's decision to go to a factoring would charge an initial 2.75 per cent over base rate on the sums forwarded (this rate subsequentiy dropped). All invoices were factored, except those coming from IBS's overcompany in mid-1987 has been largely responsible for the company's growth rate.

Without it, she maintains, either cash-flow considerations would have stifled the rate at which IBS took on new work; or she and her husband - sole owners of the business until they sold to MBS Communications Company last year -might have been obliged to bring in an external venture capital partner. The problem with the latter course, she suggests, would have been that the venture capitalist invari-ably wants both his money back and some share in the company's profits.

Watson maintains that a more suitable service was available. IBS started life in 1985, ini-"They agreed that factoring was the best thing for us." tially operating from the Wat-

produce more desirable results Psychologically, a considerable burden was also lifted: "It was like Christmas every time you NIT.

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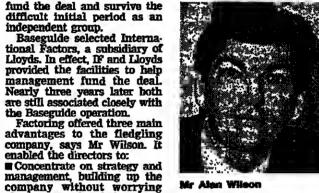
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put in an invoice." The agreement with Century was due to last one year, and IBS had planned to move on to invoiced discounting. In the event, it sold out to MBS and, since its new parent did not ntilise a factoring system itself, needed to terminate the arrangement with Century three months early. Again, few problems seem to have arisen. Century worked

out what it might have received over the additional three months - based on its experience in the previous nine - and a net sum of under £3,000 changed hands. Mrs Watson confesses to worries on being thrown back to the unfactored world, but says the company's growth over the previous 12 months meant that this was less traumatic than she had feared.

In some respects, it should be stressed, IBS's type of busi-ness and its customer profile may be particularly well-suited to the factoring route. That said, the Watsons have no doubts about the value of the exercise: "Factoring used to be debtor's ally, but not any more. It does open completely new horizons. It was a lifesaver in the end."



Mr Alan Wilson

manages the account. "We had to look fairly closely at the management team involved," he says. "We thought the proposals were soundly based. They had good brand-names, and good-quality debtors, which were easy to underwrite." IF offered Baseguide the full

factoring service, managing

the floor-covering company's sales ledger, looking at invoices, operating a credit-collection system and insuring the group against bad debts. On the basis of knowledge

built up in the course of its business, IF was able to underwrite almost all Baseguide's debtors immediately. Had Base eguide relied on one or two major customers, or sold floortiles direct to the public, then IF might not have been able to offer a service; but the group's main outlets were and still are a range of DIY multiples and major distributors.

However, Mr Beveridge says there were certain Baseguide clients whose creditworthiness IF was unable to yonch for

immediately. "The credit risk on unapproved debt is carried by the client company," says Mr Bev-eridge, "but we have since been able to credit-cover those particular Baseguide custom-ers on the basis of our own

Ground-floor cover of them - particularly on dis-puted accounts - were six to nine months old. Most factors will undertake to try and col-lect such debts and, despite their age, Mr Beveridge says IF was able to recover 95 per cent of them. The existence of long-standing debts is the only major problem which IF has encoun-

his compliment.

experience with them."

Client companies also carry the risk of debtors taken on before the arrival of the fac-

tered in its relationship with

Baseguide, according to Mr Beveridge, and the trading record of the company since

the buy-out seems to bear out

Annual sales before April

1986 amounted to some £2.6m,

and the division was losing

between £300,000 and £400,000. Since then, turnover has increased fairly steadily to about £6.5m. Mr Wilson -

unwilling to give competitors a

target to aim at - will only

describe profits as "very acceptable", but he points out that traditionally most compa-

nies in the vinyl tile market

have struggled to break even. As if to emphasise this prog-ress, Baseguide has just changed the name of its hold-

ing company to The Aristocrat

Group - one of its most suc-cessful brand names - bnt





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# TRADE INDEMNITY-HELLER

Randolph House, 46-48 Wellesley Road, Croydon, Surrey CR9 3PS, Regional Offices in Stockport, Bristol, Birmingham, Glasgow.

Factoring offered the fledgling company three advantages

how much has factoring helped in establishing the independent company? "Wa no longer have the need that there was to draw cash against our debtors," says Mr Wilson, "but [factoring] does enable us to plan a little bit: we can take a medium-term view on expenditure. Factoring

gives us an opportunity to build from a strong founda-

Part of that foundation is the link between IF and Lloyds. With Baseguide's permission, the bank has access, through an IF service called Cashs-tream, to the tile-maker's sales figures, enabling it to monitor the company's current prog-ress and approva additional financing with confidence. financing with confidence. Mr Beveridge is proud that, as a result of IF's management of the sales ledger, Baseguide has improved on the targets for debt collection outlined in the original business plan. Before factoring, the average time was 75 days; the manage-ment team aimed to reduce this to 60 days, but now the average time taken to recover debts is about 50 days, giving Baseguide a healthy margin over the 60 or 90-day bills of over the 60 or 90-day bills of exchange issued to creditors, most of whom are overs

most of whom are overseas. Mr Bevaridge says Base-guide's improving performance has also enabled IF to reduce its fees, because the tile-manu-facturer's sales to particularly safe, creditworthy clients have risen. The amount of paper-work has stayed the same, but the risk insured by IF has decreased.

It seems a relationship of mutual satisfaction, and mutual satisfaction, and though Baseguide is now a sta-ble group, Mr Wilson has no immediate plans to drop factor-ing. However, he acknowledges that if Baseguide were to enact its ambitious expansion plans, and acquire a company which was already operating its sales ledger efficiently it might not need to extend the IF service. Mr Beveridge is sanguine about the possibility of Base-guide's moving away from fac-toring as the group develops. It

is not uncommon, he says, for companies to grow out of fac-toring. On the other hand, clients are sometimes bought by larger groups which may want to retain IF.

"Whataver happens," says Mr Beveridge, "they usually leave us for the right reasons." Andrew Hill

sons' bedroom. The idea of the company - drawing on Mr Watson's industrial experience was to survey, design, supply and eventually install networking systems, using broadband

Such networking systems would link the heap of elec-tronic products employed by major organisations. Today the client-list includes banks, as well as Shell and Reuter. Turn-over is projected to top £2m this year, and more than two dozen people now work for the company.

From three names considered, Century got the business

Within six weeks of its for-nation, IBS had outgrown the Watsons' bedroom and had taken attic space in Newbury itself. It met its first year's sales target well ahead of schedule, and has since moved on to two more, progressively

on to two more, progressively larger sets of offices. Just under two years ago, an associate company was also set up, to undertake installation work. Until then, the installa-tion had been sub-contracted, but IBS found that quality suf-fered. Its own installation oper-ation had a slightly bumpy start in profit terms, however. As Mrs Watson puts it: "We found we couldn't get two lots of margins." After about a year, the associate company was brought in to the main IBS group, and since then the two group, and since then the two operations have bedded down

operations have bedded down more happily. Daspite this fairly rapid expansion, the business had never enjoyed external help. It was founded by the Watsons without any third partner, and serviced through an ordinary high street bank account. Cli-ents, on the other hand, were often chunky companies - not accustomed to settling their accustomed to settling their hills with an excess of speed. "The bigger the company, the worse they pay," remarks Ann Watson ruefully.

Moreover, IBS was taking on sizable turnkey projects and inevitably, perhaps, "it got to the point when we could only secure so much at the bank" Their house was already up as security; and the Watsons' still deeply opposed to a ven-ture capital partner, had little more to offer.

That was when they turned to factoring. Their bank threw up one name, Griffin Factors (part of the Midland group). They also consulted Alex Lawrie, largely because it was a well-known name. The third company was Century Factors, based in Newbury and picked because it was local.

roughout the period that IBS factored, the company experienced few problems with customers. The factoring company, according to Mrs Wat-son, was meticulous abont checking back with IBS before hassling late-payers. IBS, conversely, stepped in when it felt that its own pressure might-

seas clients - a small part of its business, but which includes some work for Norwegian and

All invoices were

factored, except those

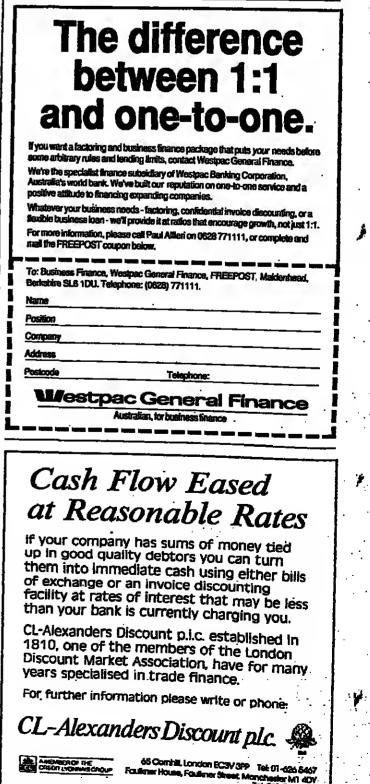
from overseas clients

At the same time that it switched to factoring, IBS moved its banking business to Lloyds Commercial, where Mrs

American companies.

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# OUR COMPANY WAS HOVERING. WITH KELLOCK IT'S SOARING.

Chris Bennett, Managing Director, Alison Associates, Reading.



Associates in 1978.

The company conceives and

develops data systems for the motor industry. Their products help dealers and manufacturers keep control of their businesses, reporting current performance and providing plans and cash flow forecasts. It was, ironically, cash flow hold-ups (endemic to many vigorous, growing businesses) which pointed Alison Associates in Kellock's direction in 1983.

"To be bonest, we weren't very good at collecting

"Kellock bave been the making of us. We couldn't bave expanded without their brand of factoring. A regular in-flow of cash bas enabled us to finance a level of sales which wed never bave reached otherwise."

Turnover of Alison Associates bas increased tenfold over the last five years and the company now employs more than 70 people.

"We've recently set up a new training department and we're actively looking to take over other related businesses.

"Profits are good, our position secure," smiles Chris. And bis many top-name clients are equally bappy.

money," confesses Chris.

"And we weren't really interested in chasing customers. We just wanted to get on with what we were good at.

"Speaking of which, wed like to put in a special word bere for Martin Hudson, our Kellock Client Manager:

"Wed never bave achieved the performance Martin bas. He's been fantastic."

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payment to Alison Associates immediately.)

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VI

## **FACTORING 6**

## Karen Zagor assesses the way the service is growing in the US

## well-worn 18th century mantle

information and contacts in

the textile and clothing worlds. These connections would have

to be forged anew if they were

of it clothing

had soared to \$7.39bn, and in

1987 turnover was around

Growth in the clothing and textile industries accounted for

some of the increase. Also

important was a decision by the Comptroller of the Cur-

rency, in July 1965, to allow commercial banks to go into factoring, bringing aboard new

\$45bn

"The pound of flesh which I and they sold and warehoused demand of him is dearly the merchandise. bought, 'tis mine, and I will Factors offer a three-pronged Factors offer a three-pronged have it Venice, IV:i

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FACTORS IN the United States have been unfairly tarred with the same brush as Shakespear-

ian money-lenders, according to Mr Francis Basile, president of CIT Group Factoring. This may partly explain why factoring in the US remains firmly rooted in the clothing and totable induction where and textile industries, whose ties to factoring date from the early 18th century, when the textile trade first established a foothold in the fledgling

The volume of factoring in the US in 1987 was abont \$46bn, of which the clothing industry accounted for 80 per cent. Some factors expect the figures for 1988 to be even higher. Again, clothing will account for roughly four-fifths of that trade.

The American companies that evolved into factors started life as selling agents. mainly for European textile mills. They knew which local companies could be trusted,

mine, and I will Factors offer a three-pronged service: they check credit, guarantee that credit, and provide advances against accounts receivable. Clients will use any or all of the services, each com-

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ing with a separate bill. Some large fashion houses, such as Liz Claiborne, use a factoring service to guarantee, rather than setting np, an to expand into other areas. The growth of factoring in the US since the war has been staggering. In 1940, total factorin-house credit department There are several reasons for

Volume in 1987 was the strong association between American factors and the \$46bn - 80 per cent clothing trade. Textiles in gen-eral and clothing in particular are volatile industries where there is often rapid growth. ing volume amounted to \$790m. By 1946, it was \$2.41bn, and by 1956 it had nearly dou-bled to \$4.30bn. By 1966 volume This cyclical variation, while often too risky for standard bank loans, lends itself particu-

larly well to factoring. "Almost nowhere will you find the peaks and valleys in terms of seasonal need of money that you find in the apparel industry," said Mr Basile.

Furthermore, the large num-ber of retail stores in the clothing industry gives the factor a lot of room for manoeuvre. Another reason why the

reserves of canital and endowbusiness has not diversified is that factoring is an individualing the business with a certain ized service, and factors already have a history of credit respectability. In recent years the trend

among factoring companies has been one of consolidation. Ten years ago there were around 35 sizeable factors; today the smaller of these are all but gone. The number of sizeable factors has settled in the 15-18 range.

The faces change marginally from year to year and the num-ber of firms varies slightly, but most factoring companies are lost not to liquidation but through purchases hy other London factors. In the past year BancBoston has closed its purchase of First Purchase of Charlotte, North Carolina, and

Irving Trust has bought Slav-enberg of New York. The largest US factor at pres-ent is Manufacturers Hanover Commercial, which also owns the CIT group. Their combined annual volume is about \$7bn. This is followed by Heller Financial, which is owned by Japan's Fuji Bank but operates as an independent factoring firm.

Other big names in the industry are Congress Takcott,

Irving Commercial, Republic Factors, BancBoston Financial, BarclaysAmerican, BankersTrust, Trust Co. Bank (of Georgia) and Citizen & Southern Commercial While some factors argue

that big is good, because the larger firms tend to have greater resonrces, others believe that the huge factors destroy the intimate relationship between factor and client. Most in the industry agree that the single biggest concern of the moment for the major factors is the spate of lever-aged buy-outs (LBOs) which has gripped the merchandising

sector In the past, huge companies such as Federated, Allied and Macey's took large orders; and traditionally they had no prob-lems with credit. Today they still ship in the same volume and the factors are still approving the credit, but the lever-aged buy-outs have left them industry dearly. However, the overall picture for 1988 was encouraging for According to Sidney Ruthers, who is writing a book on the industry, the factors are sitting with their fingers crossed. A the factoring sector, with prof-

its up and interest rates largely stable. Total profits for the year are expected to be up on 1987, which was a good year, according to Mr Basile. Most number of the heavily indebted firms have already cost the

.. . .

Company Manufacturers Hanover Commercial (d) Heller Financial (Fuji Bank) Congress Talcott Factors Irving Commercial Corp (c) Meinhard-Commercial (Cit Group) (a) Republic factors ncBoston Financial BarciaysAmerican/Commercial

**BT Factors (Bankers Trust)** Trust Co Bank (of Georgia) Citizen & Commercial Services Chemical Business Credit (a)

Security Pacific Business Credit Natio st Comm arcial Ser Rosenthal & Rosenthal Milberg Factors NCNB Financial Services Slavenburg Corp (Credit Lyonnais) Century Factors

First Union Commercial Corp Midlantic Commercial Ambassador Factors (Fleet Fin'i) Standard Factors (Sterling Nat'i) Merchants Factors

The fiercely competitive Italian market is booming, reports David Lane

which are affiliated to hanks also turn to the banking sys-tem. Mr Bartocci notes that a

survey of major factoring com-panies undertaken by the Bank

of Italy showed that, at the end

of 1987, hank borrowings accounted for L7,200bn of

L9.800bn of factoring finance,

Clearly the relationship

between banks and factoring is

sensitive, and this is recognised by the Bank of Italy. The

acquisition of interests by banks in factoring companies

is subject to anthorisation

of the factoring company's cap-

seen as a problem.

equal to about 70 per cent.

Total

by Cilizen & Son

ricotta în ri al cud

(2) Jacquinet of Citates a solution Contraction in our (c) includes factoring volume of Ascelaius Commercial (d) included volume of Win Institu & Co, a unit of CIT in Manufacturers Hemover Commercial, Institu's eleber CIT (d) and the commercial of the commercial o

Factoring volume in the US (\$m)

1987

4,332

4,200 4,085 3,800 3,278

3,000

2,966

2,780

2,300 2,209 2,153 2,036 1,425 905 870 755

707

694 663 615

**604** 550

147

45.237

1966

3.340

3,760

2,700 2,300

2,783

2,909

2,000 1,853 1,883 1,710 1,250 753 826 720

834 871 503

40.929

3,162 (b) 2,500

urce: Daity News Record

1984

2,500

3,400 1,387 1,900 3,525 1,625 2,634 2,381

1,400 1,303 1,507 1,600 1,100 493 700 900

562 511 574

301 380 475

37,364

1983

2,000

3,111 1,095 1,600 3,600 1,400 2,262 1,686

1,100 1,077 1,294 1,400 1,030 350 604 545

309 395 195

32,488

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at the end of 1988 after retail sales had improved as more factors were pleased with the year-end results, he added. On tha turnover front, however, popular fashions entered the there was an increase in volstores and lower prices began to take hold. ume of only about 4 per cent. The beginning of 1989 bodes well for factors, because cloth-ing inventories started to fall "I think we'll have another

FINANCIAL TIMES TUESDAY JANUARY 24 1989

1985

2,800

3,300 1,324 1,800 \$,000

1,750

2,588

1,600 1,543 1,749

1,600 1,100

513 780 675

677

587 460

399 445

475

143

19

37,527

good year," said Mr Basile -"barring an LBO disaster."

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BNL retains its grip

"RAPID GROWTH of factoring will continue well into the next decade, predicts Francesco Bartocci, managing director of Banco di Roma's subsidiary Finma

Mr Bartocci believes that Italy, already the world's sec-ond largest factoring market, will generate an annual total of between L120,000bn (250m) and L160,000bn of factoring business within five years.

Last year a sample of Italian factoring companies, representing about 80 per cent of the market, achieved an aggregate turnover of L41,000bn. Five years earlier, turnover had been only L7,000bn. Business is clearly booming.

Figures from Banca Nazionale del Lavoro (BNL) - the pio-neer which launched factoring in Italy in 1963 through its lfitalla subsidiary - reveal nomi-nal annual growth rates of between 35 and 52 per cent during the 1980s.

......

Factoring benefited from the lending above is good business for Italy's big groups. unsatisfied financing require-ments of many small and The industrial groups follow medium sized companies dur-ing the late 1970s and early the nstional pattern in borrowing from banks to finance their factoring operations. Unsurprisingly, factoring companies

However, it did not suffer repercussions when adminis-trative controls on banking credit were abolished in 1983. While it initially won acceptance for reasons strictly related to corporate cash needs, factoring in Italy has developed into a more sophisticated financial instrument.

The BNL Group has found that most demand arises from manufacturing industry and commercial organisations in the metallurgical, mechanical engineering and clothing sectors. But recently, partly because of increasing competition and partly to spread risk, factoring companies have been diversifying. New clients are being found in the tertiary secfrom the central bank in cases involving more than 2 per cent ital or 10 per cent of the bank's assets. This is not, however, tor, from construction to consumer credit and leasing com-panies, and among suppliers to

On the other hand, absence Italy's slow-paying health serof specific legislative regula-tion is considered to hinder

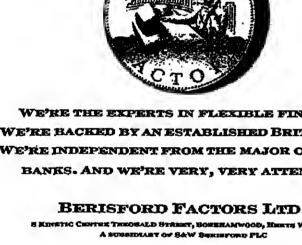
Factoring in Italy: key figures Real growth (%) Total factoring Domestic-export market (Lbn) tumover (%GNP) Yea 1.4 1.9 2.3 3.0 1984 10,475 37.4 1985 1986 15.709 36.1 21,229 27.4 1987 35.5 30.080 1988 80.3 3.8 41,045 1989 53,094 4.6 minut visi Source: BNL Sample



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BARCLAYS COMMERCIAL SERVICES

RMT CLOI o nas not its grip on the market leader-ship position which it won by offering the first factoring services in Italy. Ifitalia alone holds a share of about 11 per cent. With two other subsidiaries, Sudfactoring and Agri-factoring, the BNL Group's factoring turnover amounted to

vices.

**New factoring** companies have sprung from industry and commerce

L8.825bn last year, equal to nearly one fifth of the market. Taking account of its minor-Taking account of its minor-ity stakes in other factoring companies, the BNL Gronp covers about one half of the Italian market. Its main com-petitors are CBI Factor (9 per cent), Factorit (7.3 per cent), Mediofactoring (6.2 per cent), Comit Factor (5.9 per cent) and Primefactor (4.1 per cent).

Primefactor (4.1 per cent). After leading the way hy introducing factoring to Italy, as well as maintaining market primacy, BNL Group has been an innovative force in creating one of the key characteristics of today's factoring market. Captive or targeted factoring

accounts for about 30 per cent of business, a level unique on a worldwide scale. Alongside the "traditional" type of factoring with roots in barbing factoring with roots in type of factoring with roots in banking, factoring companies have sprung from industry and commerce during the 1980s. Large groups, like Fiat, Oli-vetti, Pirelli, Montedison, ENI, Zanussi and Rinascente, have created their own factoring ser-vices. And these are enjoying faster growth than the factor-ing subsidiaries of Italy's banks.

bai "Many of the new companies offer their services exclusively within their own groups, both for handling credit and for their own supplier credit,"

explains Mr Bartocci. Supplier to Fiat, Olivetti or any of the groups with factoring companies, being paid on 60, 90 or 120-day terms, are the captives as they turn to the factors for finance against the accounts receivable from the factors own parents

Competition to bank-affiliated factoring companies is exacerbated by the flow of funds from the banking system itself.

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"The bargaining power of major industrial groups is such that they can obtain bank loans at preferential terms, especially in periods of high liquidity. They can then deploy these funds to finance their own factoring companies," complains Mr Bartocci. Bor-

rowing at below prime rate and

factoring's development. Fac-tors have to base their contract documents on 1942's Civil Code, regarding the transfer of credit liabilities, which are meant to cover special circumstances. This has led to heavy documentation and bureancracy withont significant

tures. "This law would give a degree of protection in the case of bankruptcy of the parties transferring the credit or of the debtors," explains Mr Bartocci In addition to hoping for legislative action, Italy's factoring companies wish that compet tion would decrease. With about 80 factoring companies. many of which are unable to offer adequate service, the market enjoys an over-supply. This large number, disproportionately high compared with other countries, is good for encouraging competitive conditions but harmful to the fac-tors' profit and loss accounts. David Lane

reduction in risk. Numerous calls for legisla-tion have led to the prepara-tion of draft legislation, but this has languished in parlia-ment for the past two legisla-

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